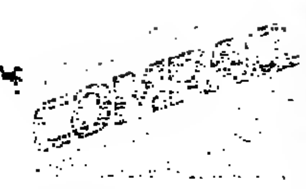
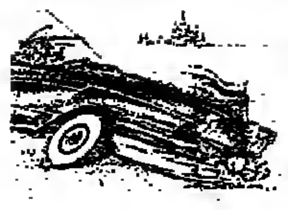


Compaq Computer
Everything goes right, and that's by design
Page 15



Zil leads the way
A new model company, from top to bottom
Page 8

Greener pastures
Private sector beckons Europe's mandarins
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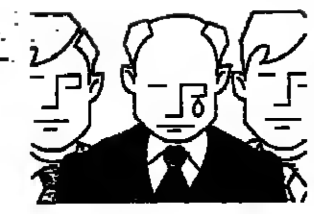


Crying time again
When business ends in tears
Management, Page 8

FINANCIAL TIMES

Europe's Business Newspaper MONDAY JULY 25 1994 D8523A

French air strike delays thousands of tourists

Thousands of tourists throughout west Europe had their boliday flights to and from the Mediterranean delayed by an air traffic controllers' strike in southern France. In Palma, Majorca, more than 10,000 people were affected by delays at the weekend. The controllers in Aix-en-Provence warned yesterday that Mediterranean services would only return to normal some time this morning.
Page 2

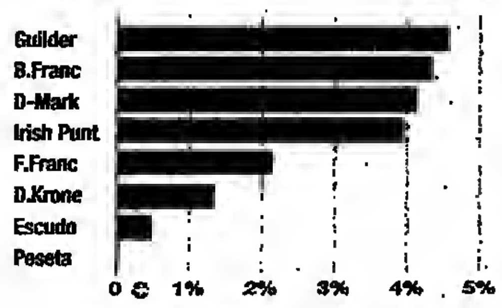
Middle East peace progress: Israeli prime minister Yitzhak Rain and King Hussein of Jordan are expected to declare in Washington today that their 46 years of official hostilities are over.
Page 3

Blast damages Welsh refinery: An explosion caused a big fire and widespread damage at Texaco's Milford Haven oil refinery in south west Wales. There were only minor casualties. Texaco said it was too early to pinpoint the cause of the explosion, whicb will put 10 per cent of the UK's refining capacity ont of action for an indefinite period.

German interest rates: The era of falling German interest rates is nearing its end, according to Herbert Hax, one of the Bonn government's top independent advisers. The economy had improved so mucb that further cuts in short-term rates were unnecessary, be said. Page 16

European Monetary System: The week saw the dollar recover and the Bundesbank fix the repo rate for four weeks, but the order of currencies in the EMS grid remained unchanged. The range between the strongest and weakest currencies narrowed slightly. Currencies, Page 29

EMS: Grid July 22, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 2.25 per cent band.

US accounting plan: US companies will probably have to take the costs of stock options as a charge against profits within the next three years under proposals being considered by the US Financial Accounting Standards Board.
Page 17

Standard Chartered, UK-based international bank group, is co-operating with an independent bribery and corruption probe in Hong Kong into alleged malpractice al Mocatta, its bullion dealing arm. Page 17

No clear answer from Sinn Féin: Sinn Féin, political wing of the Irish Republican Army which opposes Britain's presence in Northern Ireland, stopped short of saying "yes" or "no" to peace proposals put forward by the British and Irish governments. Page 16

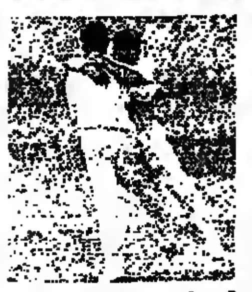
Refugees riot in Germany: About 40 refugees, most of them Algerians, rioted in a German jail and took a prison guard hostage. The prisoners, facing deportation after their asylum applications were rejected, demanded a bus and free passage to a neighbouring country.

Quebec sets poll date: Quebec premier Daniel Johnson announced that a provincial election will be held on September 12. The move launched fierce fresh debate on whether the mainly French-speaking province should secede from Canada.

Author throws away medal: Wole Soyinka, Nigeria's Nobel prize winner, threw away his national merit medal in anger when Lagos police halted a democracy march he was leading. The marchers were demanding an end to army rule and the release of opposition leader Moshood Abiola. Gambla detains Nigerians. Page 2

Warning of UK bulk materials shortage: This week's rail strike in Britain could bring serious sbortages and delays in bulk materials normally carried by rail, materials producers warned industry.

South African cricketers triumph at Lord's



South African captain Kepler Wessels (right) was mobbed by jubilant team-mates after they beat England by 356 runs with more than a day to spare in the first Test at Lord's in London. England captain Mike Atherton denied having tampered with the ball, but admitted not giving a full explanation of his actions to the match referee. Ray Illingworth, England chairman of selectors, fined Atherton £1,000 ($1,550) for using dirt to keep his hands dry and a further £1,000 for not explaining his actions fully.

Cycling: Miguel Indurain of Spain won the Tour de France for the fourth time running.

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv35.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
France	FFr8.50	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L30000
						UAE	Dh12.00

Berlusconi faces new corruption challenge

By Robert Graham in Rome

Italian anti-corruption magistrates issued a new challenge at the weekend to the government of Mr Silvio Berlusconi, ordering a string of arrests of prominent businessmen and politicians including two executives at Fininvest, the prime minister's media empire.

The move cast a further cloud over the stability of Mr Berlusconi's 10 week old rightwing coalition. It also raised the prospect of a damaging battle between the executive branch of government and the judiciary at a time when many commentators believe the magistrates have adopted too political a role.

Attention yesterday centred on the activities of the Milan magistrates. But in Catania, Sicily, magistrates also made a high-profile move when they arrested three of the best-known local politicians for alleged corruption – including Mr Salvo Ando, a former Socialist defence minister, and Mr Rino Nicolosi, the former Christian Democrat head of the Sicilian regional government.

The arrest warrants came five days after the government backed down on issuing a decree that limited powers of investigating magistrates to use preventive detention. The Milan magistrates, the most prominent anti-corruption team in Italy, had threatened to resign unless the decree was withdrawn and its terms redrafted to be made less restrictive.

When the decree was approved by the cabinet on July 13, the Milan magistrates were preparing a series of arrest warrants for prominent businessmen allegedly involved in paying bribes to members of the Guardia di Finanza, the financial police, for favourable tax assessments and compliant inspections of company balance sheets. Last week 49 of these warrants were issued and another 23 late on Saturday.

The warrants covered two men in Fininvest'a tax department – Mr Marco Rizzi, former member of the Guardia di Finanza, and Mr Salvatore Sciascia, the department'a head. Mr Sciascia's lawyer said he would hand himself over shortly but last night he still had not been located. Other prominent names on the arrest list included Mr Felice Vitali, the chief executive of Gemina, the finance group that controls the Rizzoli-Corriere della Sera publishing empire controlled by Fiat.

Milan magistrates have been investigating several aspects of Fininvest's operations, from tha granting of television licences to illicit transfer fee payments to football players. The magistrates have hinted that the present line of inquiry is the most serious so far.

Almost 20 members of the Guardia di Finanza are under arrest and co-operating with the investigators, including a general and several senior officers. In less than a month, three members of the Guardia di Finanza have committed suicide, the most recent on Friday. Those co-operating have reportedly said an organised system of payments, structured by rank, enabled companies to enjoy low tax assessments and square their public balance sheets with their "real" accounts.

Brussels will agree to consolidate EU employment laws

By David Goodhart, Labour Editor

The European Commission will this week agree to rein back the launch of further initiatives in EU-wide employment law, in an approach which will find favour with the UK government.

Instead of pushing ahead with fresh directives, new emphasis will be placed on ensuring proper implementation of what has already been passed.

This is one of the central planks of the European Union white paper on social policy, drawn up the Mr Padraig Flynn, social affairs commissioner, and due to be endorsed by the Commission on Wednesday.

"A lot of progress has been made over the past 18 months and we do not think it is relevant to come forward with a new legislative agenda," said one of Mr Flynn's senior aides at the weekend.

The UK has been the most hostile of the 12 EU states to the growth of European employment legislation, such as the recent directives regulating working time and young people at work.

The British government will, however, welcoma a new initiative to create greater mobility for workers within the EU. The white paper is expected to recommend the creation of a high-level European Commission working party, with the aim of breaking down continuing barriers to mobility, especially in occupational pensions.

On the implementation of employment legislation, where the UK has a good record, special emphasis will be placed on encouraging southern European countries, such as Greece, to put into practice health and safety legislation already approved at EU level.

The UK government will not, however, support everything in the white paper. The Commission is expected to emphasise that if no agreement can be reached by the end of the year on key employment directives, such as that on the rights of part-time workers, negotiations will be transferred from the political level to EU trade union and employer groups.

The current German presidency of the EU is eager to reach a EU-wide deal giving part-time workers equal rights, and even equal pay on a pro rata basis, as part of its campaign to boost part-time employment in Germany. But the UK government is almost certain to block an agreement, which would open up the possibility that the issue will be dealt with by the 11 other EU states in their "social protocol".

Other points that the social policy white paper is expected to raise include:

- EU-wide legislation outlawing race discrimination. Although all individual states have such legislation, those who have been the victims of discrimination while travelling from one state to another have found it difficult to get justice.
- An action programme on equality between the sexes,

Continued on Page 16

Rwandan children gather on the tarmac at Goma airport in Zaire to watch the arrival of the first US soldiers. The advanced team of 25 has been sent to assess the needs of the refugees
Picture: Reuter

Rwandan refugees begin to go home

Their return from cholera-ridden camps in Zaire crucial to success of mixed Hutu-Tutsi government

By Leslie Crawford in Kigali

The tide of Rwandan Hutus seeking refuge in Zaire began to turn at the weekend, with thousands heading homeward as cholera took hold in the camps along the border where up to 1,500 a day were estimated already to be dying.

Aid officials were awaiting the arrival of the first US military aircraft scheduled to make drops of small amounts of food. Mr Kengo wa Dondo, the Zairean prime minister who was visiting the border town of Goma, yesterday reopened the frontier which had been closed since Thursday. Refugees cheered and some crossed back into Rwanda.

Their return will be crucial to the new government installed last week in the capital Kigali by the Tutsi-dominated Rwandan Patriotic Front, leaders of which say that their top priority is convincing the more than 2m Hutus who have fled that their lives will not be under threat if they come back.

Those who are dying in Goma from thirst, hunger, cholera or exhaustion fled in fear of RPF reprisals for the genocide of the Tutsis conducted by the former Hutu government. Extremist Hutu radio stations continue to function in exile, sowing panic among tha population and urging them to leave Rwanda.

"The international community must help us persuade refugees they will be safe back home," Rwanda's new prime minister, Mr Faustin Twagiramungu – himself a Hutu – said in an interview. "They have been intoxicated with propaganda. We must persuade them the RPF is not composed of killers."

The former rebels of the RPF have taken pains to appoint a mixed Hutu-Tutsi government to win the support of the majority Hutu population. As well as the prime minister, his deputy, the president and the justice minister are ethnic Hutus, and say they reject Rwanda's ethnic divisions. The new government promises to abolish the Rwandan identity card, which identified the bolder as belonging to the Hutu, Tutsi or pigmy Twa ethnic group.

The UN High Commission for Refugees, and all relief agencies, say the only solution to the humanitarian catastrophe in Goma is the voluntary repatriation of Hutu refugees. Mr Michel Moussalli, a special UNHCR envoy, believes a massive humanitarian presence is required in Rwanda to convince Hutus to return. "We need expatriates, non-government organisations, UN military observers – the more the better," be said.

After talks with the new government, he is inclined to believe their pledge to protect the Hutus. He hopes to have food, UN monitors and assistance stations inside Rwanda within days.

However, there were reports at the weekend of disappearances and detentions conducted by the RPF forces in Kigali. Mrs Philomene Mukabarali, the wife of a former ambassador and moderate Hutu politician, Mr Silvestre Kamali, said yesterday her husband had been abducted at an RPF road block in the capital 10 days ago and had not been seen since. The RPF denies bolding him.

Beyond the immediate imperative of winning back a population in exile, the new government faces overwhelming challenges. The RPF has taken over a country with no electricity, telecommunications or running water. There is no civil service – the Hutu intelligentsia was murdered alongside the Tutsi community in the wave of orchestrated killings triggered by the dealh of the then President, Juvenal Habyarimana, in April.

"Everyone who fought for democracy la dead," says Mr Alphonse-Marie Nkubito, the new justice minister.

Rwanda's new president, Page 3

Democrats vow to pass US health bill

By Jurek Martin, US Editor, in Washington

Mr Al Gore, the US vice-president, and the Democratic leaders of both bouses of the US Congress yesterday reasserted their determination to pass a healthcare reform bill this year that would eventually provide medical insurance coverage for all Americans.

Mr George Mitchell, the Senate majority leader, said he would introduce a bill within the next week and that be intended to keep the Senate in session "until we complete action on it", even if that meant delaying the summer recess due in three weeks.

Mr Gore, Mr Mitchell and Congressman Richard Gephardt, the House majority leader, all conceded, as Mr Gore put it in a television interview, that "the phase-in period may have to be extended" from the administration's target date of 1998.

Mr Gore said that to wait eight to ten years for universal coverage to take effect was "way too long". But be insisted that the administration had always

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Healthcare debate, Page 4

CONTENTS

Estonian mouse determined to find way to get Russian bear off its back

John Lloyd writes from Tallinn on how a tiny state is trying to settle relations with a giant neighbour

Asked if he thinks the Russian troops will leave his country by the deadline date of August 31, Estonia's president says: "I think they will go on the 32nd of August." By which the quixotic Mr Lennart Meri means the troops will not be pushed, but will go, a view widely held in the tiny country jammed against the Baltic Sea by a vast state whose most visible politicians employ a barrage of fiercesomely chauvinistic rhetoric.

"Look, they will go," says Ms Riina Kionka, head of policy planning at the foreign ministry. And, though the Russian defence ministry said last Thursday that it would stop the steady pull-out, Mr Raul Malk, Estonian chief negotiator with the Russians, said on Friday that "our information is that it is still going on".

Everything about these negotiations is small – the number of troops, the size of Estonia itself (1.6m people) and the issues which divide the two sides. It is, however, large in thet it is taken by the world's leading states as a symbol of Russia's willingness to abide by a declared intent to withdraw; to face down domestic nationalist pressures; and to recognise, in actions if not yet in words, that the Soviet occupation of the three Baltic states in 1940 and their absorption into the USSR was an act of illegal occupation.

After the last round of talks, between Mr Malk and the Russian deputy foreign minister, Mr Vitaly Churkin, in Helsinki last week, the differences on the military issue – according to the Estonian minister – narrowed to three. Two of these concerned the time required to leave the submarine base at Paldiski and whether Estonian or Russian troops guard it. The third, the most touchy, concerns the payment of pensions to, and continue residence of, some 10,000 former Soviet officers now in Estonia.

The main problem in the pensioners' issue is that some officers, according to Mr Malk, are former or evan present KGB officers "who have taken active part in organisations which are hostile to the Estonian state". The Estonians will not pay them pensions, in part because they are too young, and more importantly because they believe many of them to be a fifth column in their midst. It would be better for the Russians to take them out now because, if they stayed, sooner or later some of them will be called to trial for crimes against Estonia," said Mr Malk.

Mr Churkin – among the most famed of Russia's diplomats because of his shuttle diplomacy as his country's main negotiator with the Bosnian Serbs – appeared on Russian television on Seturday evening to say that he hoped the Estonian side would "reconsider its position" before a meeting between the two countries' presidents, mooted by Mr Boris Yeltsin two weeks ago but as yet not fixed. "It is up to them to ask," says Mr Meri, "and they have not asked yet."

Even if, as seems likely, the troop pull-out is agreed, two other issues remain. The Estonians claim two thin slices of

Estonia wants formal Russian recognition that occupation was illegal

Russian territory – the area around Ivangorod, opposite the Estonian town of Narva in the north-eest; and the area around Pskov in the south-east. These, they claim, were recognised as part of Estonia in the 1920 Estonian-USSR Treaty of Tartu. And since present-day Estonia has affirmed its succession from the inter-war republic and Russia has claimed to be the inheritor of Soviet treaties, its terms must be recognised. the more so since the claim to these pieces of land is enshrined in the new Estonian constitution.

Second, as Mr Malk stresses, Estonia wants a formal recognition by Russia that the Soviet occupation was illegal and the acts of murder and deportation criminal. Says Mr Meri: "I think Russia wants to forget its own history. I see no reason why Russia should admit its guilt before the Czechs, the Poles and others and not before our smell nation."

Ms Riina Kionka admits that the inscribing of territorial claims puts Estonian politicians "between a rock and a hard place", between the commitment to and the desire of the people for a restitution, and a Russia which has unilaterally strengthened the border. Compromises are possible, however, one being to sign a treaty recognising the pre-war Tartu treaty borders and then immediately conclude a new treaty redrawing them along the present line. But that would take trust and goodwill.

Relations between the elephant and the mouse will depend on the willingness and ability of the 500,000-plus Russian speakers in Estonia to become citizens of the new state; and the continned existence in power of a Russian government more interested in being an accepted member of the international community than in re-asserting empire.

Presently, says Ms Kionka, some 40,000 Russians have applied to leave the country and 60,000 have applied for citizenship. The main qualification for the latter is a language test described as simple: proficiency in basic conversation and residence of at least two years. "The main problem," says Ms Kionka, "is with Russians who live in all-Russian communities and never naturally speak Estonian".

What Estonians see as Russian great-power attitndes towards Estonia have been on display in the past few weeks. Mr Yeltsin said at the Group of Seven summit in Naples that troops would not be withdrawn on August 31 – a statement repeated last week by General Pavel Grachev, defence minister, while negotiations ware going on. In an interview in Izvestiya, General Alexander Lebed, commander of the 14th Army and the most popular military man, warned Estonia that it was in tco weak a position to argue.

Estonia is the economic success story of the former Soviet Union. It has a stable currency (the kroon) pegged to the D-Mark; gross national product growth of around 5 per cent; low inflation; trade largely re-oriented to the west; and obvious signs of enrichment, especially in Tallinn. This, it seems, will be the larger determinant: the attraction for Russian-Estonians to pledge loyalty and an example which Russia should wish to emulate rather than to trust. In spite of the rhetoric of tension, Estonia expects reality to improve.

Abkhazia looks to ties with Moscow

By John Lloyd

Only the "closest ties" to Russia would ensure the successful development of Abkhazie, the breakaway region of Georgia, according to Mr Vladislav Ardzimba, the region's leader.

Speaking to the first world congress of ethnic Abkhazians in the capital of Sukhumi, Mr Ardzimba said that Abkhazia was a "de facto sovereign state". Ha said that none of the documents he had signed with the United Nations or Russia – which has provided a peace-keeping presence of some 3,000 troops with UN agreement – linked the region with Georgia.

Georgian troops were driven out of Abkhazia last year after bitter fighting, especially for control of Sukhumi. Since then, the region, to Georgia's north-west, has been sealed off from the rest of the country and the Georgian refugees denied re-entry.

Mr Ardzimba'e comments are in line with the long-term aim of the Abkhazian leadership to break links with the Georgian government in Tbilisi and bring Abkhazia into a union – formal or informal – with Russia. The Georgian population, which before the civil war had made up the majority in Abkhazia, has largely fled to Georgia, where its presence is greatly exacerbating the economic collapse of the country and raising fears of a humanitarian crisis this winter.

Figures published by the Russian statistical office Goskomstat show that Georgian industrial output has halved over the past year – the sharpest fall of any of the members of the Commonwealth of Independent States. Turkmenistan the main supplier of gas to Georgia, is threatening to cut snpplies because of unpaid bills amounting to $300m.

Mr Eduard Shevardnadze, Georgian leader and former Soviet foreign minister, is under increasing pressure from opposition politicians who accuse him of capitulating to Russian pressure and of having given up the fight to retake Abkhazia. He has warned of food and energy shortages this winter and faces a collapse of civil order as the currency is rendered increasingly worthless by inflation.

Waigel says dollar is set for recovery

Economic developments in the US had paved the way for the dollar to recover on foreign exchange markets after hitting postwar lows, Mr Theo Waigel, German finance minister, said yesterday, Reuter reports from Bonn. Mr Waigel also talked up the D-Mark, saying one of the key successes of the Bonn government in the past few years had been to been to guide the currency through unification without suffering excessively high inflation.

Speaking on German radio, Mr Waigel dismissed fears that long-term interest rates in Europe were bound to follow rising long-term rates in the US. "There is a certain decoupling and I could imagine that if developments in Germany continue – clear financial and anti-inflationary policies – then an even stronger decoupling from American interest rates is possible."

Sending a clear signal to financial markets, Mr Waigel said the government was drafting tax reforms for the period after the October 16 elections. But he stressed that Bonn would not raise the federal deficit to finance tax cuts. "Tax cuts which lead to higher federal and state budget deficits would have to be paid for with higher interest rates and negative consequences on capital markets," he said.

Changes in the tax structure would be aimed at lowering tax burdens for families, boosting exemptions for low wage earners and easing corporate taxes. Mr Waigel also said he favoured gradually phasing out the so-called solidarity tax – 7.5 per cent surcharge on income tax bills to help finance unification – once economic conditions permitted.

Germany would also promote a European-wide withholding tax on interest earnings, but added that he did not expect agreement soon. "It can hardly be expected that we will find a solution in the next half-year. But it is important to raise this issue," he said.

Mr Theo Waigel (left) with former Bundesbank chief Helmut Schlesinger: clear signal to financial markets Reuter

INTERNATIONAL NEWS DIGEST

Slow end to air chaos forecast

Air traffic controllers in Aix-en-Provence warned yesterday that service to and across the Mediterranean would only return to normal some time this morning after their three-day strike climaxed yesterday, a peak day for people ending as well as starting their holidays. A spokesman for the striking controllers said the average delay on flights from northern Europe to the Mediterranean was five hours. But some holiday-makers were worse hit, with 5,000 forced to spend Saturday night camped at the airport of Palma in Majorca, and with services to the island of Corsica also severely disrupted.

Aix-en-Provence, one of France's five control centres, normally handles 2,400 flights a day. Its 11 controllers have been refusing to do overtime since July 11, and on Friday started a three-day strike, though they are required by law to provide e minimum service, allowing 50 per cent of flights through. But Nice airport said yesterday only 40 per cent of its scheduled flights were operating. The Aix controllers are demanding 26 more staff, shorter working hours and better pay. Despite rules that a controller should not have to guide more than 12 flights at a time, Aix controllers claim they are having to deal with more than 20. *David Buchan, Paris*

More voting in Ukraine

Elections to fill the final third of Ukraine's new parliament were held yesterday. If the remaining 112 seats are won by democrats and moderates, they could wrest control of the 450-seat body from the Communists and their left-wing allies. However, democratic organisations have failed to present a united campaign. "The democrats have not learned their lessons," said Mr Yaropolk Kulchyckyj, Kiev head of the US-based International Foundation for Electoral Systems. "They are again fighting against each other. Communists can slip through into the lead." The empty seats are a result of Ukraine's inefficient electoral law, which only managed to elect 338 MPs in two rounds of voting last March and April. Many of the vacant seats are in metropolitan districts, often empty at weekends which could mean a low turnout. With nine candidates on average per district, even the central election commission has predicted these elections will go to a second round on August 7. *Jill Barshay, Kiev*

Eurofighter costs attacked

Germany's auditing office has criticised the mounting costs of the European fighter aircraft, a joint project by Germany, Britain, Spain and Italy, according to a leaked report obtained by the DPA newsagency. The third internal report by the office to the finance committee of the lower house of parliament compares the quality of the Eurofighter to the capability and efficiency of Russian MiG-29s. It coincides with a dispute between Germany's politicians and industrialists about how to finance the project which is already behind schedule.

Deutsche Aerospace, the German industrial partner in the project is seeking an extra DM1.2bn ($765m) from public funds, but the defence ministry is hesitant at providing extra financing. The project, which is expected to cost DM30bn, is running two years behind schedule. Britain and Italy expect to take delivery of the fighter aircraft in 2000, Spain in 2001 and Germany in 2002. *Judy Dempsey, Berlin*

Indian arms talks in Moscow

A senior military delegation from India arrived in Moscow yesterday for talks on co-operation with Russia and possible aircraft purchases, Itar-Tass news agency reported. The news agency said the delegation, led by air force Commander-in-Chief S K Kaul, would meet senior defence ministry and arms industry officials during the one-week visit and examine the latest models of Russian combat aircraft. "He [Kaul] is also likely to negotiate purchases of MiG-29 fighter-bombers and SU-30 multi-purpose fighters," the agency said, adding that India might consider buying a licence for production of the SU-30 fighters. The two sides will also discuss modernisation of MiG-21 fighters in service with the Indian air force and creation of a joint Russian-Indian aircraft venture, Tass said, quoting an Indian embassy official.

Russia and India agreed to step up military co-operation in a joint declaration signed by President Boris Yeltsin and Indian Prime Minister P V Narasimha Rao during a visit by the latter to Moscow last month. Russia was India's biggest arms supplier in the Soviet era, but sales have slumped since then. *Reuter, Moscow*

Zaire suspends bank chief

Zaire's new government, alarmed by the collepse of the national currency, ordered the immediate suspension of the central bank governor and an audit of the Bank of Zaire. The decision to suspend governor Mr Ndiang Kaboul, an appointee of President Mobutu Sese Seko who had held the post since February, was announced on national television by Mr Masegabio Nzanzu, information minister, at the end of a six-hour cabinet meeting. He cited what he described as serious failings and Mr Ndiang's violation of government instructions over the running of the bank.

In the past couple of weeks billions of newly-minted Zaire notes have flooded on to the black market, sending the zaire into a steep elide against foreign currencies and forcing steep rises in the price of consumer goods. Launched last October at the rate of three to the dollar, the zaire has fallen to 1,300. *Reuter, Kinshasa*

Chinese foreign debt mounts

China's foreign debt increased by 20.61 per cent or $14.28bn last year, bringing the outstanding total to $83.5bn, the official Xinhua news agency reported yesterday. Of the total, 83.79 per cent or $70.027bn was middle and long-term debt and 16.21 per cent or $13.54bn was short-term, according to a report by the state administration of foreign exchange control. Financial institutions, including banks, were the biggest borrowers, accounting for 50 per cent of the total, the agency said. China's foreign debt service ratio last year stood at 9.7 per cent and debt ratio at 94.52 per cent, the report said.

● The World Bank is expected to lend China about $3bn to finance construction of 15 projects in the next fiscal year, which begins in August, the official China Daily reported. *Reuter, Beijing*

INTERNATIONAL PRESS REVIEW

European parliament prompts pain and pleasure

EUROPE

By David Buchan in Paris, Judy Dempsey in Berlin and Tom Burns in Madrid

The distinctive aspect of the French press and political establishment's reaction to last week's installation of the new European parliament has not been their direct comment about Strasbourg's new powers.

French newspapers and politicians have joined those of other European countries in making the commonplace assessment that the narrow vote of approval for Mr Jacques Santer as the next Commission president shows the new MEPs intend to use to the maximum their powers under the Maastricht treaty.

Despite the low standing that parliaments in general, and the European one in particular, have traditionally in the French mind, the feeling is that a strong Euro-parliament is inevitable, and, maybe now, even desirable.

The real French moan is about the splintering of France's 87 MEPs into no fewer than seven groups at Strasbourg, and the possibility that this dispersal means that France will not be able to make its voice heard.

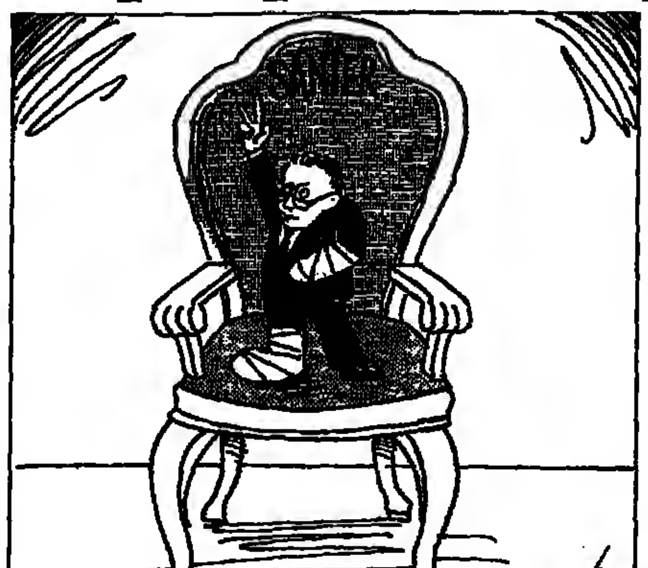
Most of the fragmentation was a consequence of the proportional system that France uses for European elections. But there was a hope among some on the government side that the 29 MEPs who won election on the government's RPR-UDF coelition ticket would sit in the same Christian Democrat group of the European Peoples Party.

In the event, only 13 UDF made it to the EPP, one stayed behind with the Liberals, and the 14 Gaullists decided to keep some Irish nationalists company, for fear the EPP might be too federalist for them.

So, the UDF turned to the press to express its anger. Its leader, ex-President Valéry Giscard d'Estaing, complained to *Libération* that, with only 13 French members in it, there could not possibly be a French candidate for the parliament's presidency which will be filled by someone from the EPP in two and a half years' time.

In *Le Figaro* Mr Jean-François Poncet contrasted this with the way that German MEPs were concentrated in Strasbourg's two big groups, the EPP and the Socialists. The result, he said, would be that a German Christian Democrat would in 1997 succeed the new German socialist president of the parliament. "French cacophony, German pre-eminence," he commented.

There was no such disgruntled comment from the German press. The liberal *Frankfurter Rundschau* described the debate over Mr Santer's confirmation as "a great moment in Strasbourg." The new deputies, the newspaper argued, gave "a warning to Brussels, its bureeucrats, and European governments thet it can no longer be taken for granted. Strasbourg has demanded more democracy from European governments" and must continue to strengthen the European parliament.



Bensch, Handelsblatt

Handelsblatt, the economic and business daily, went further, arguing that the "system of consensus" for electing the president of the European Commission must be changed, implying that in the end Strasbourg had been faced with a compromise candidate thanks to Britain's veto. The *Frankfurter Allgemeine Zeitung*, the conservetive daily, and firm supporter of Mr Jean-Luc Dehaene, Chancellor Helmut Kohl'e original candidate for the top EU post, believed another positive aspect emerged from Strasbourg.

It showed that Germany's governing conservatives and opposition social democrats could transcend party loyalties and work together to secure the election of Mr Santer. However, it too warned that Brussels will have to face the European parliamentarians next December when the deputies scrutinise the credentials of the new commissioners.

The European parliament is the "Cinderella" who is now "knocking at the door", said *El País*, Spain'e leading newspaper, in an editorial welcoming the assembly's close vote over the appointment of Mr Santer.

The newspaper said that there were now three powers on the EU horizon: "a Council of Ministers that seems to want to control institutional democracy; a Commission that has to redefine somewhat its role but which would do well not to consider itself a mere executive appendix to the Council; and a Parliament that we now know has no intention of letting itself be treated as the Cinderella of European institutions."

'First lady' among German industrialists

OBITUARY: Grete Schickedanz

Grete Schickedanz, known as the "first lady" in German industry, died last Saturday, aged 82, her family said yesterday.

"She was an outstanding personality among German industry," said Mr Edmund Stoiber, prime minister of Bavaria and s prominent member of the Christian Social Union, the sister party of Chancellor Helmut Kohl's governing Christian Democrats. "She had ideas and concepts, and she forms a part of Germany's, and Europe'e, economic history." Mr Richard von Weizsäcker, the former federal president, described her as "the First Lady of German industry".

As head of Quelle, Germany's – and Europe's – largest mail-order house, there was hardly a dey this indefatigable lady did not take an interest in business. She was present when, in 1991, Quelle laid the foundation stone for its huge branch in Leipzig, in the eastern state of Saxony. Donned in furs and pearls, and flanked by Mr Kohl, she mused loudly that DM1bn (£400m) was a lot to invest in Leipzig, and wondered if the company could afford it. An aide was said to have replied quickly: "Of course we have the money!" Quelle last year had a turnover of DM17bn. Since unification, it has inveeted more than DM2.5bn in eastern Germany, and is considered one of Germany's most succeseful privately-run businesses.

Born in Fürth, Bavaria, on October 20, 1911, Grete Lachner – her maiden name – started in retailing at the age of 15 by joining Quelle, a company with a staff of five founded by Gustav Schickedanz, who was born in 1895. The coupled married in June 1942.

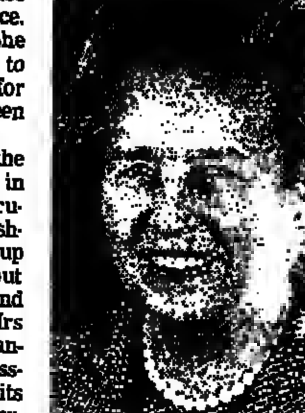
During the 1930s, the company expanded rapidly, despite rampant inflation and unemployment. When the second world war broke ont, Quelle had an annual turnover of 40m Reichmarks. Despite Allied bombing of its warehouses and its headquarters in Fürth, near Nuremberg, the couple decided to set up business again in 1946. The business steadily regained its market share.

It soon became the largest, most modern mail-order company in Germany, priding itself on quality for money and its fast and reliable service.

Grete Schickedanz was also driven by a social conscience. At the end of the war, she founded a textile business to provide basic necessities for those whose homes had been destroyed.

With Mrs Schickedanz at the helm, the group diversified in the 1960s and 1970s, particularly in film processing, fashion and furniture, and set up optician outlets throughout Germany. When her husband died in March 1977, Mrs Schickedanz continued to manage tha business, rarely missing an opportunity to shape its direction, especially after German unification. She was helped by her two sons-in-law, Hans Dedi and Wolfgang Bühler, the current chairman.

Judy Dempsey



Grete Schickedanz: head of Quelle mail-order group

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481. Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.
FRANCE: Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.
DENMARK: Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

NEWS: INTERNATIONAL

Middle East peace process 'irreversible'

Julian Ozanne looks at today's historic meeting in Washington

Mr Yitzbak Rabin, Israeli prime minister, and King Hussein of Jordan are expected to declare before the world tbe end of a 46-year state of war and the irreversihle nature of their peace process, at a meeting in Washington today.

The meeting will aignify the full return of Jordan to the western fold after the king's support for Iraq during the Gulf crisis. Israelis believe the peace process will also consolidate a realignment of forces in a Middle East dominated no longer by the Arab-Israeli conflict but by the greater threat of Iran and its export of Islamic fundamentalism.

The geo-political dimension is a significant fector, although probably more so to Israel and the US. Mucb more important to Jordan are tbe economic incentives which are driving peace efforts.

King Hussein has always been a moderate and pragmatist in the Arah world and has met secretly every Israeli prime minister except Mr Menachem Begin, wbo refused to see him. But he has waited before signing a peace treaty with Israel in the interests of wider Arab solidarity.

A formal peace treaty will still take several months to complete and will give Syrie and Lebanon a little more time to strike their own deals.

The king has decided to go ahead with normalisation of relations and implementation of joint projects ahead of a formal treaty, whicb is ouly a matter of time. Some economic measures will be announced today as the first steps towards integrating the economies of Jordan, Israel, Egypt and the Palestinians into a Middle East common market.

Unlike Egypt – which in 1979 became the first Arab country to make peace with Israel – Jordan and Israel share geographic and economic resources: the Jordan Valley, the Dead Sea, the Arava desert, the water sources of the Jordan and Yarmouk rivers and the Red Sea Gulf of Aqaba.

Last week's economic talks held on the Jordanian side of the Dead Sea revealed the extent of economic co-operation which could develop well ahead of the peace treaty.

At present it is even impossible to telephone Amman from Jerusalem or Tel Aviv, as Jordan has hlocked the lines. Opening phone lines and borders would he an easy first step. Opening the borders would also belp to fual tourism.

The two sides also discussed other possible first steps such as establishing commercial flights, reopening the Jordanian banks whicb operated in the West Bank before 1967, and establishing trade relations.

More difficult and expensive will be projects like an ambitious plan discussed last week for a joint development strategy of the Jordan Valley and Arava desert from Yarmouk in the north to Aqaha in tbe south. The scheme would encourage tourism and preserve the environment, and includes a $3bn project to bring Red Sea water to the Dead Sea hy constructing a canal which would generate hydro-electricity and preserve the water levels in the Dead Sea.

Apart from the joint projects, US President Bill Clinton has also promised to ask Congress to relieve $950m of Jordanian debt and to supply military equipment to modernise tbe king's outdated army.

Israel stands to benefit almost as much from these projects as Jordan. But Israel is driven much more hy tbe psychological dimension of peace, and today's Rabin-Hussein handshake will signify the acceptance and increased security Israelis crave in the Middle East.

Ousted Gambian president leaves on US warship

A US warship carrying ousted Gambian President Sir Dawda Jawara steamed out of Banjul yesterday while the leader of the coup which toppled him received ambassadors and religious leaders, Reuter reports from Banjul.

Diplomats said the US Navy tank-landing ship La Moure County carrying Mr Jawara, members of his family and senior officials was helieved to be heading for Dakar, capital of neighbouring Senegal.

Religious leaders who met coup leader Lieutenant Yayeh Jameh said he told them that he and Mr Jawara had spoken hut failed to agree terms for the president to return.

Mr Jawara fled to the US warship after young army officers on Saturday announced a coup against him after what began as a rampage through Banjul on Friday by soldiers demanding back pay.

Officials said 10 Nigerian officers working with the military had been put under house arrest. They included the former commander of the 800-strong Gambian army, Colonel Bouhakar Dada, who was preparing to leave Gambia.

The capital Banjul was calm, the market was open and people were going ahout their husiness normally. An overnight curfew was in force from 7pm to 7am.

Officials said Mr Jawara, the first of his two wives Lady Chilele Jawara, and about 14 of his 19 children were on the US ship with the finance minister and inspector general of police.

They said the justice minister had been arrested, as had the information minister and Vice President Saihou Sabally. The education minister, Mr Alieu Badjie, gave himself up on Saturday morning.

Mr Jawara was prime minister when Gambia won independence from Britain in 1965 and hecame president when it became a repuhlic in 1970.

First meeting for Asia-Pacific forum

By Victor Mallet in Bangkok

North Korea's nuclear programme, the Cambodian civil war and territorial disputes over the islands and oilfields of the South China Sea will be among the topics of debate today at the launch of an 18-member multilateral security forum for Asia and the Pacific.

But the foreign ministers attending the first, three-hour meeting of the Asean Regional Forum (ARF) in Bangkok say they are unlikely to make substantial decisions on such issues until they have reach agreement on the role of ARF itself.

The organisation, the first of its kind in Asia, is being founded to discuss Asian security following the end of the cold war. Russia's power in the region has diminished with the collapse of international communism, and the US has withdrawn some of its military forces from the Pacific, while Chinese economic and military influence is on the rise.

All three superpowers are members. ARF comprises the six countries in the Association of South East Asian Nations (Asean) – Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand – as well as the US, the European Union, Japan, China, Russia, Australia, New Zealand, Canada, South Korea, Vietnam, Laos and Papua New Guinea.

The various foreign ministers already meet annually for political and economic talks, and regional security has now been added to their list of concerns.

Mr Chuan Leekpai, the Thai prime minister, opened this year'a Asean meeting by calling for urgent efforts to avert any armed confrontation that might arise from territorial disputes in Asia. "The competition for ocean space and resources in the South China Sea is a particularly worrisome prospect," he said. "A regional arms race is another concern. The creation of some kind of regional arms control regime can deter arms build-ups."

Some ARF members, led by Australia and encouraged by the US, want to ensure that the organisation develops quickly and begins to take concrete measures to improve security. They also want officials of the member countries to meet more than once a year. China, on the other hand, favours a slower start for ARF, apparently because it does not want to become enmeshed in multilateral negotiations over territorial disputes when it has so much clout in hilateral meetings.

Several ideaa for enhancing regional security have already been aired ahead of today's inaugural meeting. The first is an exchange of defence white papers, so that each government can understand how the others perceive their strategic interests and the threats that face them.

Another proposal is to establish a regional arms register, especially since some ARF members have yet to disclose details of their weapons to the United Nations register.

The need to settle territorial disputes is likely to remain near the top of the agenda, especially in and around the Spratly islands in the South China Sea, wbere six Asian countries have overlapping claims and China and Vietnam have both awarded oil exploration concessions in disputed zones. One suggested solution is a "joint development zone" for oil and gas modelled on the offshore zone now being exploited by Thailand and Malaysia.

Foreign ministers of Asean said at the weekend they were ready to accept Vietnam as a member, but did not set a date, writes Victor Mallet in Bangkok.

Asean was established in 1967 by countries seeking to protect themselves from the spread of communism. Vietnam still has a communist government, bnt the cold war has ended and Asean wants eventually to embrace all the countries of the region to form a common front on economic and security issues.

Vietnam's entry may be delayed hy concerns over its willingness to implement mutual tariff cuts under the proposed Asean Free Trade Area.

Cambodians seeking refnge from ethnic violence paddle along the Vietnamese border yesterday. AP

'Our nation is in pieces'

Leslie Crawford talks to the new president about recreating Rwanda

It is not often that a president is charged with tbe task of reinventing, as well as rebuilding, a nation. Such is the challenge facing Mr Pasteur Bizimungu, Rwanda's new president.

Mr Bizimungu is taking over a country with half its people in exile, and a history of ethnic conflict which reached its chilling apotheosis in tbe genocide of the minority Tutsi ethnic group by the majority Hutus in April. He believes the only way Hutu and Tutsi may live together again is hy erasing the ethnic distinctions which divided them in the past.

"Our nation is in pieces," Mr Bizimungu said at the weekend. "We must teach new values to the population, based on respect for universal rights."

Mr Bizimungu must try to govern with no civil service, electricity, running water or telecommunications. The only institution functioning at present is the army of the rebel Rwandan Patriotic Front, which installed Mr Bizimungu as president last Tuesday.

Yet he insists be will not be a mere civilian figurehead for a military regime. "I joined the RPF when it launched its struggle in 1990," be says. "I was their spokesman in Brussels and I led the peace negotiations with the former government."

The Tutsi-led RPF has been careful to name Hutus such as Mr Bizimungu to prominent positions in the new government, and to include moderate political parties in the cabinet. It even invited two members of the former ruling party to join, but they declined.

Real power, however, is expected to remain in tbe hands of Gen Paul Kagame, the military commander who formed an army of Tutsi exiles in 1990 to fight the Hutu dictatorship of Gen Juvenal Habyarimana. Gen Kagame has taken the posts of defence minister and vice-president.

Mr Bizimungu will not say bow long tbe RPF-installed government intends to remain in power. The government has hundreds of thousands of displaced people to resettle. They must be housed where they feel safe. The survivors of Tutsi massacres may be reluctant to return to their former villages. Hutus who have fled into exile must be persuaded to return. The government must ensure security throughout the country. It may be a generation before Hutu and Tutsi can live together again."

Mr Bizimungu says his first priority is to persuade millions of Hutus who have fled Rwanda to return. That task may be made more difficult by the new government's intention to bring the authors of the Tutsi genocide to justice. "Impunity will not be a condition for reconciliation," he says. "Those who have killed must face justice."

But with few magistrates and a non-existent judiciary, the new president admits that the task of bringing suspects to trial is beyond Rwanda's capabilities at present.

Mr Bizimungu, a 44-year-old former banker, has moved into the former dictator's residence. As if he needed a reminder of Rwanda's recent bloody past, the wreck of the presidential aircraft, which was shot down on April 6 by unknown saboteurs, can still be found in the grounds of the presidential mansion. The assassination was used by Hutu extremists as a pretext to launch their plan to exterminate the Tutsi population and the moderate Hutu leadership.

Mr Bizimungu concedes the extremists, now in Zaire, still pose a threat to the new government. In the absence of an extradition treaty with Zaire, the remnants of the Hutu army could yet regroup and restart the war. The new government in Rwanda is seeking the co-operation of foreign governments to bring the leaders of the former government aod army to justice, and Mr Bizimungu bopes to meet President Mobutu Sese Seko of Zaire this week to discuss the issue.

Democratic leaders assess tactics on healthcare

A single reform bill must somehow take shape, report George Graham and Jurek Martin

For much of the summer, President Bill Clinton's ambitious attempt to overhaul the entire US healthcare system had disappeared into a maelstrom of detailed legislative drafting and behind-the-scenes political dealing.

Even the intervention last Thursday by the Democratic leadership, with the approval of the president, to draft a new compromise bill does not, per se, transform the maelstrom into a quiet, pellucid pond.

For the task of the Democratic leaders of both chambers – Senator George Mitchell on the Senate side and Congressman Richard Gephardt for the House of Representatives – remains much as it was. This is to work to pull together a single bill from the heterogeneous versions presented to them by separate committees.

But the different rules and traditions of each chamber present each leader with a very differeot tactical challenge.

The Seoate's free-flowing rules of debate mean that virtually any amendment can be brought up at any time. Mr Mitchell will therefore try to produce a single working bill (with luck, by the end of this week) which could theo be debated for weeks on the Senate floor.

His challenge is to bring together senior Democrats such as Senator Edward Kennedy, whose labour committee passed a bill closely resembling Mr Clinton's proposal, with the finance committee centrists who produced a very different reform plan relying largely on improvements to the insurance market, and falling a long way short of the president's goal of universal coverage.

In the House the hand-to-hand fighting will take place not oo the floor hnt in the rules committee, which is dominated by the Democratic leadership and the chairman of the main committees. This committee can decide which amendments and which rival plans come up for debate. The leadership is expected to adopt a "king of the hill" strategy, under which the last version to win a majority would stand, eliminating previous versions.


Mitchell: weeks of debate possible on Senate floor

The timing of a House hill, however, is problematic. Many members are wary of heing "BTU-ed" again; they fear a repetition of the battle over the hudget in 1993 when they were cajoled or coerced into casting a difficult vote for Mr Clinton's proposed tax on the number of British Thermal Units (the common measure of healing energy) in fuels, only to see the BTU tax dropped in the face of Senate opposition. The House may, therefore, seek to open debate after, or at least at the same time as, the Senate.

In both chambers, however, the employer mandate – a cornerstone of Mr Clinton's plan under which employers would be required to provide health insurance to all their workers and pay for 80 per cent of its cost – is seen as having at best an outside chance of survival.

Senator Kennedy has mooted a plan that seeks to gain centrist support hy requiring employers to pay only 50 per cent, and not ohliging them to cover their workers' dependents. Mr Mitchell has endorsed this approach in principle.

Even the backing of these two titans, however, still falls a long way short of commanding a majority.

The administration ran the risk of being left on the sidelines in this process, until the White House's strategy session with the Democratic leadership last Thursday night left something of the impression of a common purpose.

Mr Clinton claimed on Friday that there was agreement on the hroad principles – guaranteed universal coverage, if not necessarily hy 1998 as he had proposed, quality and choice for the patient, emphasis on preventative and primary care, and cost containment.

But until then, both he, his wife and a phalanx of administration officials had been trying to fight fire (the unbelievable hlitz of special interest commercials attacking the government plan) with fire of their own. Typical was a speech hy Mr Clinton two weeks ago in Pennsylvania on who has comprehensive medical insurance coverage.

"The politicians have it. The wealthy have it. The poor have it. If you go to jail you've got it. Only the middle class can lose it. I don't think that makes much sense in America."


Gephardt: battle will take place in rules committee

The understanding with the Democratic leadership did not prevent Mrs Hillary Clinton and other officials from fanning out around the country to start a series of hus caravans which will converge on Washington from all corners to campaign for whatever hill the Democratic leadership may produce.

But the administration role for the time being is mostly limited to providing computer regressions and cost estimates for the variations being discussed hy congressional staffs as they try to piece together a bill.

That jigsaw work is still difficult to complete, for a number of pieces are missing.

One of the principal ones is the official cost estimate from the Congressional Budget Office on the plan produced hy the Senate finance committee. The CBO is expected to show that the scheme falls $80bn to $100bn short of financing itself over the next five years.

This is potentially a damaging blow to a plan that has until now been hailed as the most centrist version of reform.

Although some White House officials would still dearly love to produce a bipartisan bill, most have given up all hope of winning over more than one or two Republicans in the Senate. Senator James Jeffords of Vermont seems the most susceptible, though Senator Boh Packwood of Oregon, his reputation already grievously damaged hy charges of sexual harassment, may seek to redeem himself by working to pass a cause with which he has long been associated.

That leaves the administration searching for the kind of wafer-thin majority that passed its budget in 1993, snd extremely vulnerable to the defection of Democrats who feel strongly about ancillary issues.

Potential coalition-breakers include the tobacco tax, which will finance much of the reform's additional costs, and the question of whether abortion should be included in s nationally mandated benefits package.

But unlike the budget, where individual elements could be traded away, the healthcare reform has to work as a complete system – or it could end up making everything worse.

Key terms and issues in debate

■ UNIVERSAL COVERAGE: The bottom line of the original Clinton plan was health cover for all Americans, the only exceptions being specific social or religious groups with objections to inclusion. Of the four congressional committees that approved versions of healthcare legislation, only the infloential Senate finance committee rejected this demand. It opted instead for a target of 95 per cent population cover by 2002. A commission would recommend mandatory measures if this target were not met. However, the Senate in particular may take its lead from the committee's failure to hack universal coverage and President Clinton has now signalled flexibility.

■ EMPLOYER MANDATE: Another cornerstone of the Clinton plan, this requires employers to pay the bulk of their workers' health insurance costs – 80 per cent in the administration's proposals. However, the Senate finance committee also rejected this concept, again prompting Mr Clinton to hint at compromise. Joint employer/employee mandates have been floated as a way of resolving this toughest question in healthcare reform – who pays?

■ COST CONTROLS: All the versions of healthcare reform legislation approved hy congressional committees envisage some form of cost containment measures, such as taxes on expensive premiums, fee schednles and cost targets or ontright caps on how much premiums can be raised each year.

■ TAXATION: Apart from employer and employee mandates, extra taxes have been proposed to pay for health reform. These inclnde extra taxes on cigarettes, guns and ammunition, and assessments on some hig employers.

■ HEALTH MAINTENANCE ORGANISATIONS: Organisations which offer consumers a range of health benefits for an annual fee, largely using medical practitioners under contract. Consolidation in the healthcare industry and consumers' desire to cut costs are strengthening the HMOs independently of the progress of healthcare reform legislation.

■ FEE-FOR-SERVICE: The traditional American way of doing medicine, where doctors are paid hy patients or their insurers for each consultation or treatment. Specialist (and therefore expensive) doctors are already coming under pressure from the HMOs and the more standardised cover they offer.

■ INSURANCE MARKET REFORM: Under all the bills voted out of congressional committees, insurers will be required to sell a standard benefits package. Measures are also planned to prevent insurers discriminating against the nld and the sick.

■ MEDICARE AND MEDICAID: Existing government health programmes for the elderly and the poor respectively. Current versions of reform legislation envisage the abolition of Medicaid as beneficiaries take np insurance elsewhere, with the government picking up the tah. The House Ways and Means committee approved a massive extension of Medicare to those who could oot buy insurance elsewhere.

■ ABORTION: A divisive issue both in and nut of Congress that could sink reform altogether. The administration wants abortion cover included in the standard package of healthcare benefits, hnt the National Conference of Catholic Bishops, which supports health reform, has vowed to fight on this issue.

Struggle for market share puts industry in turmoil

By Richard Waters in New York

The US healthcare industry has not been waiting on President Clinton. Every part of the healthcare chain, from financing through to dispensing drugs, is in upheaval, as companies strive to cut costs or fight for market share.

One result has been a string of mergers and acquisitions: four deals worth a total of $13.5hn (£8.7hn) have heen announced in the past three months alone, making this the most active part of the US corporate takeover market.

The causes for the shake-up can be traced directly to boardrooms, not to Washington.

Take Ford Motor. In 1970 spending on healthcare for its workers amounted to 6 per cent of the US carmaker's payroll costs. Escalating health care inflation (costs rose at more than double the rate of general inflation during the 1980s) and an ageing workforce have pushed that figure up to 19 per cent. US companies, on hehalf nf their current and retired workers and dependents, foot most of the the US's health hill. The cost could be making them uncompetitive.

"Mercedes can start up [in the US] from scratch, hire a younger workforce and not have the costs. They have an immediate advantage," says Mr Robert Ozment, director of corporate and employee insurance at Ford. "The first issue is to get national costs under control. Then we can talk about how you finance the system."

The drive by companies such as Ford to hold down their costs in this area, under way for some time, has led directly to the indsutry's latest string of mergers and acquisitions.

Companies have used managed care to take control of their healthcare costs. Rather than simply paying their employees'ever-rising health insurance premiums without question, they have pursued ways to hring down costs.

In its purest form, managed care involves enrolling an employee in a Health Maintenance Organisation. For a fee, the HMO provides all the employee's healthcare, from prescription drugs to a doctor's appointment. The HMO in turn keeps costs in check hy using only certain hospitals or doctors, or by giving preference to certain companies' drugs: this enables them to negotiate volume discounts.

HMOs have grown fast, and are expected to provide cover for one in five Americans by the end of this year. Adding in other, looser variants on the theme, such as point-of-service plans and preferred-provider organisations, about half all US workers are now estimated to be covered by some form of managed care arrangement.

The growing huying power of these nrganisations is the single biggest factor shaping the healthcare industry, which accounts for about 14 per cent of the US economy. Their impact is already heing felt: annual healthcare inflation fell from about 9 per cent in 1990 to less than 6 per cent last year. Drug price inflation dropped from an annual 10 per cent to 3 per cent over the same period.

The impact of this reining-in of price increases has been felt in all parts of the healthcare industry:

● Drug companies, though their products account for only 7 per ceot of total US healthcare spending, have seen some of the greatest upheaval.

Unless a drug carries benefits that are clearly superior to rivals in the market, it is likely to be subjected to severe price discounting.

"A lot of research and development spending has gone into copying other people's drugs and then changing a molecule or two. That really isn't helpful," says Dr Jay Crosson, an associate director at Kaiser Permanente, the US's largest managed care group.

The result has been escalating price competition, and efforts hy the biggest companies to increase their market share and out costs.

The takeovers have taken two forms. One has been the acquisition hy drugs companies of pharmacy benefit managers, large-scale pharmacies which make up prescriptions, usually hy mail. By controlling these distributors, whicb have hrought down costs in part by encouraging doctors to prescribe cheaper drugs, the manufacturers hope to be able to sell more of their own products at the expense of their rivals. Merck, Eli Lilly and SmithKline Beecham have between them paid a total of $13bn to buy the country's three higgest pharmacy benefit managers in the past year, two of the them in recent weeks.

The second form of takeover has been the acquisition of one drugs company by another, signalling consolidation in an industry which is having to adjust from the high-growth expectations of the 1980s to the prospect of a lower-growth future. Sterling Winthrop, previously owned hy Eastman Kodak, and Syntex, a struggling US company, have both been bought hy bigger European pharmaceuticals groups.

● Hospitals – which account for about half all US spending on healthcare – have faced their own cost pressures. Besides the discounts demanded by managed care organisation, most hospitals also face prohlems of overcapacity. Better control of the way patients are handled, improvements in surgical techniques and the growing availability of care in the home have all contributed to a shortening of the length of time the average patient spends in a hospital bed.

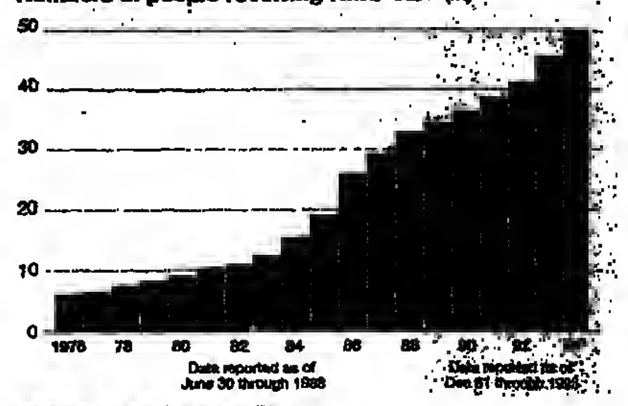
With too many beds to go around, some hospitals hsve been closing wards. The country's higgest private hospital group, known as Columbia/HCA since a recent acquisition, has reacted differently: by huying up other hospitals companies, then closing entire sites in areas where there are too many hospital beds, Columhia/HCA has improved the profitability nf its remaining sites.

● Health maintenance organisations and insurance companies have also been sucked into the restructuring of the healthcare industry. United Healthcare, one of the biggest of the HMO groups, has itself emharked on an acquisition spree, huying up local HMO companies around the country. It recently agreed to sell Diversified Pharmaceutical Services, a pharmacy benefit manager it owned, for $2.3bn, providing it with more cash to continue its acquisitions.

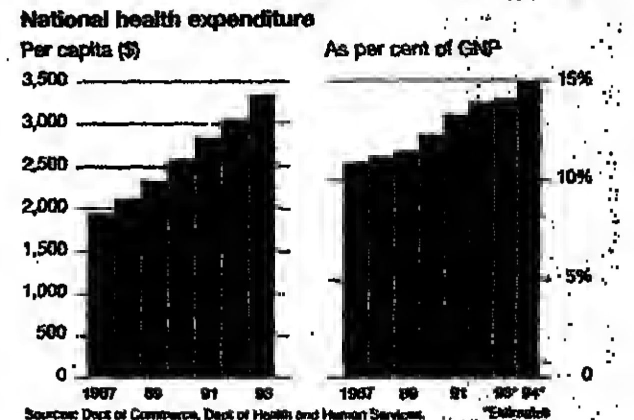
Meanwhile, insurance companies, responding to the change in the market, have been busy converting their traditional health insurance businesses into managed care organisations. One result: an agreement last month between two of the country's biggest insurers, Travelers and Metropolitan Life, to combine their health insurance activities in a new joint venture company.

US healthcare

Numbers of people receiving HMO care (m)



National health expenditure



Sources: Dept of Commerce, Dept of Health and Human Services, and Group Health Association of America. *Estimated

Healthcare mergers and acquisitions (1993-94)

Buyer	Acquisition	Price ($bn)
Merck	Medco	6.6
Columbia Healthcare*	HCA	5.7
Roche	Syntex	5.3
Columbia Healthcare*	Galen Healthcare	4.2
Eli Lilly	PCS	4.0
SmithKline Beecham	Diversified Pharm. Services	2.3
Elf Aquitaine	Sterling Winthrop	1.7
Columbia/HCA	Medical Care America	0.9

* Now Columbia/HCA

Growth in drug sales slows

By Paul Abrahams

World pharmacy drug purchases January-May 1994 in US$m

	N. America	Japan*	Germany	France	Italy	UK	Spain	Netherlands	Belgium
Cardiovascular	3,418	1,320	1,256	1,217	709	365	309	124	127
Alimentary/Metabolism	3,420	1,623	933	640	559	426	256	150	101
Central Nervous System	3,520	428	560	571	289	292	178	79	74
Anti-infectives	2,108	1,111	330	562	404	154	207	40	62
Respiratory	2,248	647	548	387	207	323	171	91	36
Musculo-Skeletal	925	809	284	217	169	144	85	30	28
Blood Agents	935	695	205	301	175	35	89	25	30
Others	4,500	1,515	1,113	1,024	575	415	282	116	181
Total	21,077	8,451	5,229	4,919	3,087	2,154	1,577	658	637
% Change*	8	0	6	0	-7	8	3	4	3

*Non-hospital market only *Increase excluding currencies Source: IMS International

Pharmacy drugs sales recorded either slower growth or declines in every significant European market during the first five months this year compared with the same period in 1993.

The only exception was Germany, the region's largest market, where sales staged a small recovery after last year's steep falls. However, sales were still down on 1992 levels.

The deceleration has been caused hy healthcare reforms throughout Europe, described last week by Mr John Robb, chief executive and chairman of Wellcome, the UK drugs group, as a series of hammer-hlows.

Sales in Europe's top seven markets fell from $19.1hn to $18.2bn, although in local currencies they rose by 2 per cent, according to IMS international, the specialist market research company. The US market expanded by 7 per cent to $19.67bn, while the Jspanese market was static in yen terms hut rose in dollars from $7.7bo to $8.45bn.

The Italian market has been the worst hit in Europe. Year-oo-year sales fell 7 per cent from $3.59bn to $3.08bn. That compares with $4.7bn for the same period in 1992. The market is set for further falls this year once the Italian government has decided on additional price cuts, possibly as large as 10 per cent.

The French market, which was growing at 6.5 per cent during the first five months last year, was static in local curreocy terms but fell in dollars from $5.18bn to $4.9bn.

In the UK, where sales were up 11.6 per cent during the first five months last year, market growth decelerated to 8 per cent in sterling as price cuts and government controls on prescrihing began to bite. In dollar terms, sales increased from $2.017bn to $2.154bn.

In Spain, last year Europe's fastest expanding market at 13.6 per cent, growth fell to 3 per cent. In dollars, the market declined from $1.817hn to $1.577bn.

Market growth in Belgium fell from 5.8 per cent to 3 per cent, while in the Netherlands sales growth dropped from 13.4 per cent to 4 per cent.

Study urges stronger trade rules

By Guy de Jonquières, Business Editor

A fresh outbreak of trade warfare is likely unless stronger mnltilateral trade rules are drawn np quickly in the wake of last year's Uruguay Ronnd agreement, a study* commissioned hy a transatlantic group of business and labour leaders and academics warns today.

The study, pnhlished hy the British-North American Committee, implicitly criticises the thinking behind current US trade and industrial policies as one of the main challenges to the General Agreement on Tariffs and Trade.

The conclusions are firmly endorsed by the committee's joint chairmen, Sir David Plastow, chairman of Inchcape, the British services group, and Mr John Heimann, a former US comptroller of the currency and senior executive of Merrill Lynch, the US investment bank.

The committee believes the principles of the multilateral trade system are threatened by a growing belief among policymakers that economic advantage is best achieved by promoting national champioo industries and other mooopolistic and oligopolistic forms of competition; eothusiasm for this so-called New International Trade Theory is strong among seoior members of the Clinton administration.

Though the theory offered some valnable insights into international trade, policies hased oo it might not deliver the expected benefits.

Such policies were also likely to distort markets and provoke retaliation unless further moltilateral agreements were reached soon to liberalise non-tariff barriers, curb subsidies, reform anti-dumping regulations and restrict cartels.

Unfinished Tasks: The New International Trade Theory and Post-Uruguoy Challenges, by Prof F M Scherer and Dr Richard Belous. £10. British-North American Committee, 35/37 Grosvenor Gardens, London SW1W 0BS. Tel: 071-828 6644.

Salinas to play on trade expertise in WTO fight

Aides say Mexican president will emphasise his political experience, Damian Fraser says

President Carlos Salinas will launch his campaign to head the new World Trade Organisation after Mexico's August presidential election.

Advisers to Mr Salinas say that for domestic political reasons he will make no public prooouncements on the position until September. He wants to avoid accusations that he is putting personal amhitions before the country's interests.

However, aides have outlined the sort of campaign be is expected to run. He will emphasise his record as president of Mexico, which makes him the best known of the four contenders, his long experience and interest in international trade issues, and his belief that the WTO should not be sidetracked from its main objective of promoting free trade and reducing protectionist barriers.

The Mexican government expects the US to back Mr Salinas's candidacy. It also reckons Latin American countries, apart from Brazil, which has its own candidate, and Argentina, will, as they have already promised, support the Mexican president. Mr Manuel Tello, Mexico's foreign minister, was in Chile this week drumming up support for Mr Salinas.

Mr Salinas believes that "point number one on the agenda is to make the WTO an efficient and effective institution to promote freer trade in the world." As head of the WTO, he would have "to make sure the multilateral system and Uruguay Round work properly."

Mr Salinas has reservations about incorporating strict labour and environmental standards in world trade laws, as the US wants. An aide said Mr Salinas believed the linkages between trade laws, environment and labour conditions needed to be studied further, and that agreed-on standards "should never be an excuse to build protectionist barriers."

President Salinas sides with most developing countries in believing that the best way to protect the environment and labour rights is by promoting trade and raising the incomes of poor countries.

Nevertheless, under the North American Free trade Agreement, Mexico bowed to US pressure and agreed to accept fines or sanctions if found not to be enforcing some of its own labour and environmental laws. In the Nafta negotiations, President Salinas was more willing to subject enforcement of Mexico's environmental laws to US and Canadian scrutiny than enforcement of domestic labour laws.

An aide stressed that Mr Salinas would set an agenda on the so-called new issues in agreement with WTO members. Mr Salinas, he said, had a "deep knowledge" of both first and third world countries, which might make it easier for him to appreciate the different interests of participating countries, and huild a consensus among members.

The long drawn out negotiations over Nafta have made Mr Salinas familiar with the key issues of international trade. He was closely involved in the Nafta negotiations, personally taking many of the key decisions on where to give ground to the US, and the same kind of hands-on approach could be expected if he was given the WTO joh, the aide said.

"He combines a unique feature of being able to deal with the broad issues and also to get into the details." Mr Salinas, who has doctorate in political economy from Harvard University, has heen dealing with trade issues since the mid-1980s, when he spearheaded Mexico's entry into Gatt while budget minister.

Although Mr Salinas has pushed through Nafta, and several regional trade agreements between Mexico and other countries and Latin America, his emphasis would be on a multilateral approach to free trade. His aide said he would seek to ensure that regional agreements are consistent with Gatt articles.

Strikes poser for Mandela

By Mark Suzman in Johannesburg

South Africa's new all-race government of national unity is struggling to cope with s week-long wave of labour unrest, and there are fears that new strikes may hreak ont, damaging international investor confidence.

The spate of industrial action has been sparked by s 10-day-long strike by 15,000 workers at food retailer Pick 'n Pay. Over the past few days a number of smaller wildcat strikes in the private and public sector have also broken out.

The newly aggressive attitude among workers is being fuelled by raised expectations resulting from the economy's return to growth after a four-year recession, and the belief that the new government will be much more sympathetic to wage demands than its white-led predecessor.

The African National Congress, which won the April elections, has strong links with the trade union movement. However, the government is torn between its natural sympathy for the strikers and its need to reassure businessmen and foreign investors about its commitment to a stable business environment and low inflation.

However, violent clashes between strikers and police officers have led to accusations by workers of government bad faith in its labour relations policy.

NEWS: UK

Companies 'switching to foreign banks'

By John Gapper, Banking Editor

Dissatisfaction with UK banks has led to many British companies switching to foreign banks such as Citibank, Commerzbank and Credit Lyonnais during the past 18 months, a study says today.

The analysis of 243,000 companies by Barclays de Zoete Wedd, the broker, says foreign banks have increased their market share by abont 10 per cent. Yet it finds that the rate of switching slowed in the first half of this year.

Not only have foreign banks gained strongly, but they have attracted a slightly higher proportion of low-risk companies, measured by credit quality.

The analysis of companies in business-information group Dun & Bradstreet's corporate database is the first to measure the practical effect of complaints about standards of bank service from small companies during the past two years.

However, the study points out that only about 2 per cent of companies change banks each year.

Barclays lost most, with a net 1,591 companies leaving. Lloyds lost the biggest proportion, with 2.8 per cent of its corporate customers switching to other banks.

National Westminster Bank was a very small gainer of both high-risk and low-risk companies. Both Scots banks were net gainers of low-risk companies, with Royal Bank of Scotland also losing high-risk companies.

Midland lost a net 232 customers in the first half of last year, falling to 69 in the second, and 48 in the first six months of this year.

Barclays stood out in all three half-years as the largest net loser of customers.

Meanwhile, analysis by BZW shows the financial health of British companies improved sharply in the second quarter of this year as the economic recovery took hold, according to a further study published today. The analysis of 360,000 UK companies contributing more than 75 per cent of Britain's gross domestic product finds a marked reduction in the number which are considered to be in a risky condition or in significant danger of collapsing.

It is further confirmation that the recovery is gathering pace. Figures last week showed that the GDP was 3.3 per cent higher in the second quarter than in the same period of 1993 – the first time since 1989 that growth exceeded 3 per cent.

The upturn in credit quality was particularly marked in the south east, south west and East Anglia.

Property and transport companies improved most strongly among industrial sectors, with manufacturing companies also stabilising.

The study follows optimistic statements from the chairmen of Barclays and National Westminster Banks about improvements in bad debt provisions, and BZW will today raise its forecast for banks' earnings this year by a total of £385m.

The fall in the number of companies rated as significantly risky for banks to lend to is the first marked improvement in credit quality noted since the end of the recession, although quality has risen slowly since the end of last year.

CBI survey sees little change in investment plans

By Gillian Tett, Economics Staff

Most British companies have not adjusted their investment criterion for low inflation and interest rates, in spite of warnings from the UK government that this is stifling business investment, a new business survey has found.

The Confederation of British Industry survey shows that significant proportions of companies still demand that investment projects should either yield a rate of return above 20 per cent, or else pay back the investment within three years.

Most companies assume that the government will not deliver its inflation target. Their average prediction for inflation is 5 per cent, compared with the government's target of bringing it below 2.5 per cent by tbe end of the parliament.

The survey is likely to fuel the government's appeals to companies to lower inflation expectations to boost investment, currently running at relatively modest levels in spite of the overall pick-up in manufacturing.

The report says that uncertainty about demand appears to be the key constraint for business investment, although it admits that another factor is companies' scepticism about inflation targets.

The report, which surveyed almost 500 manufacturing companies, found that two fifths of companies that use a nominal or real rate of return to assess investment projects were targetting hurdle rates in excess of 20 per cent.

Meanwhile two thirds of firms who use "payback" assesment are targeting rates of two to three years.

The pattern varies, with almost one third of companies using a nominal rate of return methods prepared to accept a return of less than 11 per cent. A fifth of companies using this method have lowered investment expectations in light of low inflation.

However investment appraisals have remained unchanged among two thirds of companies using a payback assessment and balf of those companies using real rates of return, adjusted for inflation.

Mr Sudhir Junankar, CBI's associate director for economic analysis said tbe results showed "long term investment in the UK still depends largely on the achievement of a more stable macro-economic environment." The Bank of England said the survey bore out the results of its own informal survey this spring.

Mounted police and some in riot gear moved in to disperse civil liberties demonstrators yesterday after they attempted to scale the gates outside the prime minister's residence in Downing Street. Violence flared in Whitehall as an estimated 18,000 banner-waving protesters from all over Britain marched from Hyde Park to Trafalgar Square for a rally against the proposed criminal justice bill PA

Blair in strong defence of the family

By Philip Stephens, Political Editor

Mr Tony Blair, newly-elected leader of Britain's opposition Labour party, yesterday eschewed the leftwing liberalism of his party 's past in favour of a strong defence of the family as a central component of social cohesion.

In a further step towards repositioning his party in the political middle ground, the Labour leader said that "common sense" rather than ideology would be the driving force behind its approach to social policy.

But he found himself under strong attack from the Conservatives over education policy, with ministers saying that Labour would ignore the wishes of parents by returning grant-maintained schools to the control of local authorities.

Mr John Major, the prime minister, inteods to use a speech later this week to argue that Mr Blair's election has not closed the gap between the Conservatives and Labour on the key issues of individual choice and responsibility.

Mr Blair, in comments likely to irritate the left wing of his party, emphasised the need for government to recognise the family as "the essential, stable social unit".

In his first lengthy television interview since his election as leader be attacked the Conservatives for "stigmatising" single parents, most of whom had not chosen to bring up their children alone.

Mr Blair added that social, education and training policies under a Labour government would be geared to supporting and sustaining the family unit. But parents would be obliged to recognise they had responsibilities as well as rights.

Britain in brief

Optimism despite new rail action

Railtrack remains optimistic that a deal with the RMT transport union can be agreed in the next fortnight in spite of the start tomorrow of the first 48-hour strike in the dispute over signal workers' pay.

A senior Railtrack representative said at the weekend that it was "unthinkable" that the weekly strikes would still be occurring on August 12, the earliest date by which the 500 RMT signal supervisors could join the strike.

The supervisors are being balloted on joining the strike and the result is expected by August 4. If they do so it will become much more difficult for Railtrack to maintain the 25 per cent to 30 per cent service it hopes to run over the next two days.

Insurer to test salesforce

The salesforce of Royal Insurance, one of the UK's largest insurance companies, will tomorrow sit examinations to assess their professional competence at the request 'of Lautro, the industry's regulator.

Royal Insurance's decision to re-test its 1,000-strong salesforce on their knowledge of products and the financial services market follows a visit by Lautro in May, whicb found weaknesses in the company's training schemes.

Lautro, which will run further checks in the autumn, asked Royal Insurance to reassess its salesforce and strengthen its supervisory programmes.

Royal Insurance's move highlights increased vigilance by regulators about standards of selling in the life insurance and pensions industry. The industry has been accused of using high-pressure sales techniques.

Transport emission to rise

Transport will overtake power generation as the sector emitting the greatest amount of carbon dioxide by the eod of this decade. Yet demand for transport fuel will slow if the government sticks to its target of raising road-fuel duties by 5 per cent in real terms every year, according to a study of energy and the environment by Cambridge Econometrics, the Cambridge-based consultancy.

The study found that while emissions from power generation will decline in the years ahead, those from transport will continue to rise – particularly from road transport which accounts for more than 90 per cent of all transport emissions. But the rate of increase will slow.

Salary gap 'narrowing'

The salary gap between male and female executives in the UK is narrowing fast, according to the latest quarterly pay survey by pay and benefit consultants Sedgwick Noble Lowndes.

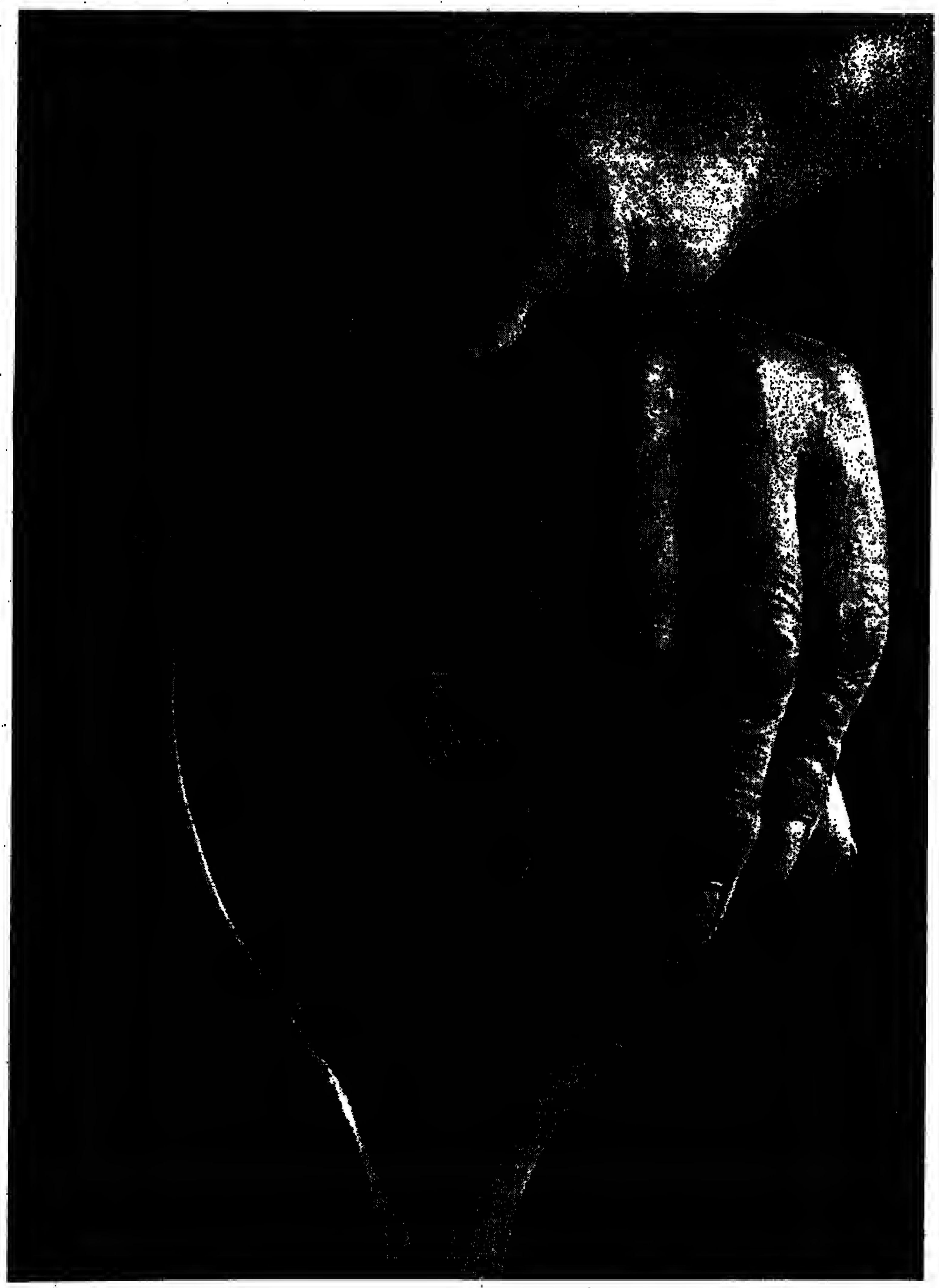
The survey also finds that the downward trend in executive pay rises has been reversed and that executive pay increases are now nearly 50 per cent higher than the rise in average earnings, which is 3.75 per cent.

The news of the narrowing pay gap for women executives follows recent figures showing that the number of women managers in Britain's top organisations is falling.

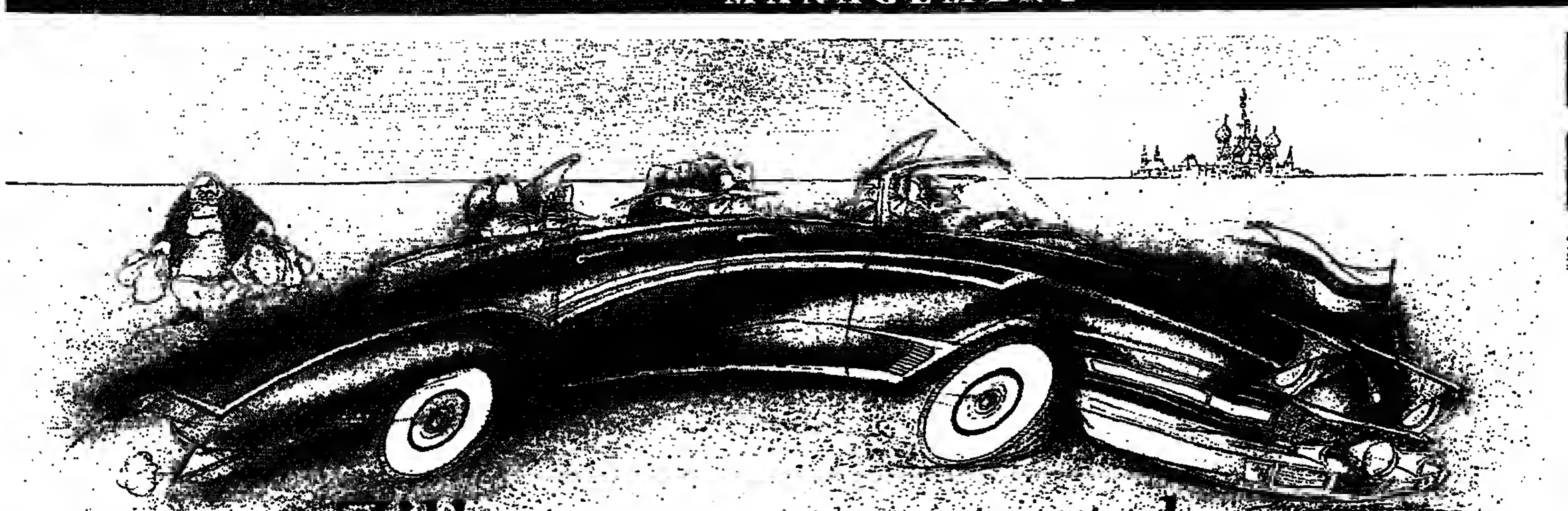
Figures from the Institute of Management showed the proportion of female senior managers and directors had fallen from last year's 10.2 per cent to 9.5 per cent.

The latest figures show that in the past 12 months the average Increase in women's base salary was 5.4 per ceot compared with 5 per cent for Their male counterparts. A year ago the average rise was 6 per cent for women compared with 5.4 per cent.

The statistics, drawn from a database of 5,199 executives in 407 companies, show o consistent pattern over the past four years, with women receiving up to a fifth more – in relative terms – than men in their pay awards.



MANAGEMENT



Zil's two-way stretch

The successful restructuring of the Russian flagship company could act as a catalyst for change, claims **John Lloyd**

Bit by bit, Russian reform is ceasing to be a matter of exclusively macro-economic and political consideration and is being devolved to the enterprises and to their managements. The changes which Russian managers must now usher in dwarf, in their scale, anything likely to face their western counterparts. But if Russia is to succeed, these western counterparts will be increasingly drawn into the great drama which surrounds the integration of Russia into the world economy.

Privatisation has passed through its first stage – in which almost three quarters of the state property were pushed out, higgledy piggledy, into private hands through the medium of privatisation vouchers issued free to every citizen. A second stage, the period of strategic investment and company restructuring, is set to begin. Within this process, there is a small group of massive, flagship companies where a successful restructuring would act as a catalyst for change far beyond their own limits.

One such is Zil, the Zavod Imena Ligacheva or Factory Named after Ligachev (its founder) – once called Zis, or the Factory Named after Stalin. It gave its name to the vast limousines built since the 1920s for the state and party elite; it was the biggest lorry producer in the former Soviet Union; it produced small,top-of-the-range buses; it made a wide range of engineering products for other plants; it had a large, white-goods division. Says Alexander Vladislyavlev, its present chairman: "It got the best, the cream of the Soviet engineers; it got the best equipment. When the state decided to set up another big truck plant [Kamaz, in Tatarstan] Zil engineers went out and did it."

It was politically privileged and untouchable. Its long-serving director, Yevgeny Brakov, was a member of the Central Committee of the Communist Party. In his office next to the Zil museum, where the steady progress of the enterprise from workshop production to vast combine was displayed, he was first among the country's industrial barons. Ha was sure of the first call on resources, his products were on every stata farm, in every army division, in many homes – and beneath the bottoms of the Polithureau members as they were whisked to and from the Kremlin.

Its crash has paralleled that of the Soviet Union and in its own way is as spectacular. The writing might have been on the wall when Brakov was put up by the party to oppose the upstart renegade Boris Yeltsin, when the latter ran for the Moscow deputy's seat in the USSR Supreme Soviet elections of March 1989 – and received 392,633 votes against Yeltsin's 5,118,745: it was an early sign that the Party-state web, without which Zil had no meaning, was beginning to unravel.

With the ending of the Soviet Union in December 1991, the tolling of the bell for Zil grew louder. It suffered from the 1992 cuts in the defence budget – nearly half its trucks went to the military. It suffered as agricultural subsidies were hit – the other half went largely to the state and collective farms. People bought fewer fridges, as more and more of their disposable incomes went to buy the produce which went inside them. The government tended to buy from Mercedes, and the nouveau riche would rather be seen dead than in a Zil (which do, indeed, make good hearses). By 1993, the crisis was upon it.

Instead of restructuring, Brakov went back to his Bolshevik roots: in early 1994, with many of his workers part-time and their pay dropping, he encouraged them to picket the White House (government offices) to demand state aid. His point was partly taken – though it did him no good. Both the federal government and the Moscow City government became alarmed. Zil was just too big, too well known, too prestigious to go belly up. It was the equivalent of Chrysler, of Rolls Royce. The market could not be allowed to decide its fate.

From the latter half of 1993, Russian ministers began voicing concern about Zil: Alexander Shokhin, the deputy premier for economics, used a visit to Washington to ask the International Finance Corporation to get involved. The European Bank of Reconstruction and Development was also coaxed in. Yuri Luzhkov, the Moscow mayor began to exercise the rights and responsibilities, which a 25 per cent stake held by Moscow City Council following privatisation gave him. He promised to assist and did so by taking over the 500,000sq m of apartments it owned – and with these the kindergartens, the rest homes and the cultural and leisure facilities it ran.

Zil was just too big, too well known, too prestigious to go belly up. It was the equivalent of Chrysler, of Rolls Royce. The market could not decide its fate

But this kind of relief was a palliative. The change had to come from within – and at the top. Following government pressure and behind-the-acenes dealing, Zil's main shareholders – Moscow City Council, AMO Bank, the Mikrodin finance group and its workers and managers (who hold 40 per cent of the shares) – gathered in Moscow's Luzhniki Stadium and elected a new board of directors with Vladislyavlev (representing the Moscow City Council) as chairman.

Vladislyavlev is a man of power. A former member of the Central Committee, his post-Soviet career has been built up in tandem with that of Arkady Volsky, head of the Russian Industrialists Union, whose deputy he is (Volsky was once the leader of the Communist Yooth League, or Komsomol, in Zil). Now, he says he is focused on being a company chairman – and doctor.

As the international financiers who are now huddled round Zil attest, he has moved with speed. In doing so, he has demonstrated the mixture of flamboyance, use of Soviet-era connections, partial grasp of current management practice and inside-government horse trading which is bound to be reproduced in other big Russian restructurings.

First, Vladislyavlev capitalised on what was already partly in place. The US companies Caterpillar and Paccar, keen to enter the Russian market, had already moved to form joint ventures. Caterpillar had created a joint venture to make fuel systems, and is interested in joint production of trucks through its joint venture Novotruck and engines through a similar entity, Novodiesel; Paccar is to make heavy trocks with Novodiesel engines. Talks are also going on with General Motors and Renault. Zil offers these companies an existing manufacturing base for joint ventures.

Next, he is constructing a structure where the monolithic combine will be split up. A holding company is being created, which will wholly or partly own subsidiary companies – of which Zil Manufacturing will retain the engineering heart of the enterprise, and other divisions will service and market the products. He has formed an international marketing alliance with the Avtotraktor export group, which has rather moribund subsidiaries abroad and which still retains, he says, a core of professional staff.

Soon after his election as chairman, Vladislyavlev moved Brakov aside – he is now a vice-president in charge of marketing – and promoted Valery Saikin, a prodnction man, as general director. The promotion of middle managers to senior positions – ha says they are "the best people available in Russia, in the first class" – is going ahead.

His flamboyance and imagination shows in his willingness to complement the deals with foreign partners with the appointment of a high-profile "consultant". Currently he is trying to secure the services of Lee Iacocca, the former Chrysler chairman, among others. "They should come here and teach the people in Zil what they know. We need a special institute for teaching marketing and sales. Zil never had to sell anything before."

Vladislyavlev has also used his pull within government. He has secured promises of off-budget support and tax breaks and is arguing strongly (as did the previous management) for increased tariffs to protect the Russian car industry. The government, anxious for the flagship, has committed itself to assisting the continnation and upgrading of the gas guzzlers. They will order 24 each year, and put up some \$70m (£45m) a year for remodelling.

This, the "masterplan", is still sketchy and raw, still being developed. Vladislyavlev and the Russian government are pushing hard, trying to persuade the international financial institutions to commit money, make connections. He has won admiration for his bustle and energy. But will it work?

The doubts centre round the sheer size of the task of restructuring and the political risk attendant on getting it wrong. Zil is, as Vladislyavlev says, a supreme product of the Soviet era. Shorn of any marketing or finance skills, it has to acquire a new culture from scratch. Its lorry design is archaic (they are still petrol driven) and its once captive markets wholly or partially destroyed. The International Finance Corporation, which helped restructure Skoda in the Czech Republic (a large but still easier task), is hesitant; so is the European Bank for Reconstruction and Development.

"What they need is a white knight which would take the job of restructuring, put in some of their own money and tough out the opposition. But this is so high risk I don't see that coming," says one senior official – speaking, as almost everyone does on this touchy issue, on grounds of anonymity.

There is also some question as to why the two Russian finance companies, AMO Bank and Mikrodin, will not put up the required cash for restructuring. Here one sees a now familiar problem: foreign finance asks why it should invest if the Russians are withholding, while the Russian companies, unsure of the nature of the risk, watch foreigners to see where they will invest before committing their own funds. And Zil waits.

Yet Vladislyavlev, with a good international contacts book and the ambition to "make sure my grandson, who loves to work with his hands, will work in Zil when it is a great Russian company selling to the world", continues to push its claims.

He is offering 10 per cent of the stock (whether existing shares or a new issue is not clear) to a large international finance house for \$60m, with a seat on the board thrown in – a price which, as another international finance official says, "is either a tremendous bargain if it can be saved or a complete waste of money if it can't".

Russian restructuring is still in the realms of faith. Investment is increasing: a few manufacturers, led by Percy Barnevik of ABB Brown Boveri, are leading the column of western investment into working plants. Everyone, from Victor Chernomyrdin, the prime minister, down, trumpets success over the horizon. A successful management revolution at Zil would bring the horizon much closer.

DESERT ISLAND MANAGER

Max Hastings

Max Hastings, editor-in-chief of The Telegraph Group, would be happy to swap his Isle of Dogs office for a desert island. A country lover at heart, working in London is the bane of his life.

Who would you take with you?
Jeremy Deedes, Bill Deedes' son who is editorial director. Jeremy is my nanny and I rely on him not to do anything foolish. I can't think of anything he would like less than to be stuck on a desert island with me, but about three times a day I run into Jeremy's office saying "crisis, Baldrick, crisis".

An additional office item, along with a phone and fax?
I'd be lost without a word processor. When I was a teenager and bored in the summer holidays my father would often talk of the challenge of a blank piece of paper. I didn't understand what he meant then, but I do now. But like most modern journalists I can't do it with a pen and paper any more.

Would management from an island work?
I would use the fax a lot. The editor I worked for longest and I most respected was Charles Wintour on the Evening Standard. Charles was a great one for rule by abrupt memo and in some ways I mimic his memo style – both the nice ones and the nasty ones.

Confined to an island, what would you miss?
The stimulus of seeing an enormous number of people. At weekends when I don't see people one complains of the phone always ringing, but then one thinks what would it be like if the phone didn't ring.

What wouldn't you miss?
London. One of the highest prices one pays for doing a job like this is having to work in an office in London. Canary Wharf certainly has nothing to do with civilisation as far as I understand it.

What would you take to read?
At the very least I'd ask to take the complete Trollope.

Something to drink?
A few cases of wine. For the first six months that I was editor of The Daily Telegraph I never drank at lunchtime. These days I'd rather suffer the consequences of having a drink then. When I go to lunch and see everyone having Perrier I don't feel jealous. I think it has become a reverse virility symbol.

And to eat?
I'm an unashamed carnivore. I'd like the fishing that I could do on the island but I'd be sorry if I couldn't have meat anymore.

Would you survive on an island?
Living rough never bothered me. I spent 16 years roaming around the world's wildernesses as foreign correspondent and was fine. I also do some preparation. My father was cast away on a desert island by a Sunday newspaper and became ill with scurvy and nearly died. He hadn't done proper research.

You can take just one newspaper
The Daily Mail: It is very entertaining and professionally run. I'd also want the Spectator and Country Life to see what is happening to house prices.

Christine Buckley

When tears are good for business

When Roger Fernley heard that the bid for London Transport's advertising arm had been referred to the Monopolies and Mergers Commission, he wept. Far from feeling embarrassed about his outburst, the managing director of British Transport Advertising wrote to the FT last week and told us all about it. I was so surprised to read his latter that I phoned him up to ask whether this was his idea of a joke. On the contrary, he said, he had been angry, incredulous and disappointed, and had shed real tears.

In so doing, he broke the ultimate corporate taboo. I have just done some research into tears in business and found barely a wet eye anywhere. Robert Maxwell was constantly sobbing, but then he was always a law unto himself. It is said that Freddie Laker was close to tears when Laker Airways collapsed and that Sir Kenneth Berrill had a lump in his throat when he failed to be reappointed as chairman of the SIB. I have also heard that Michael Green of Carlton was damp eyed in the 1980s on discovering that he had lost the BSB contract. But all of these tales are years out of date, few and far between, and none amounts to a good public weep.

There are examples of grown men blubbing openly in politics and sports, often to advantage. Bob Hawke, the former Australian PM, greatly increased his popularity by sobbing over everything from domestic difficulties to the massacre in Tiananmen Square.

Even more famously, Paul Gascoigne, the footballer, showed himself to be a human being when he broke down on receiving a yellow card in the 1990 World Cup.

But businessmen? Never. The only time they seem to cry is when seriously frustrated: when they have missed an aeroplane, or cannot make a foreign bureaucrat do as they want. Earlier this month I saw an executive in black tie close to tears at Victoria station having learnt that trains to Glyndebourne were not running.

LUCY KELLAWAY

By shedding these sort of impotent tears, businessmen look foolish. By contrast, to cry at critical moments in a company's history could add a certain something to the occasion and might encourage others to be more understanding.

It would, of course, be intolerable if executives cried at the smallest setback. Displays of emotion can be a form of manipulation – and there is enough of that in office life already. But on big occasions tears could be called for. If Graham Hearne of Enterprise Oil had wept on losing the battle for Lasmo, people might have been sympathetic rather than carping away about how he must drop one of his posts as chairman or chief executive. Fernley's tears may not influence those hard-hearted pen pushers in the DTI and at the MMC. But they show he is a human being who is not afraid to admit as much.

It has only just been drawn to my attention that Harrods, the tourist attraction in Knightsbridge, does not let shoppers in to buy its pricey goods unless they are suitably dressed. On the face of it, this seems a bizarre policy. Surely Harrods knows that the customer is king, and that those in shorts and vests deserve the same fawning service as ones in suits and designer frocks? It is all very well for pubs to specify no work clothes, as they do not want souvenirs from the building site on their upholstery. But a pair of designer jeans with a rip on the knee does not hurt anyone.

I now see this is a naive reaction. Harrods has explained to me that lady customers were offended by "sweaty hairy men with their armpits or crotches on display". The store also pointed that something urgent had to be done given that "shopping at Harrods is the most pleasurable thing that many of our customers do all week".

Leaving that remarkable assertion to one side, Harrods is on to something. The image of a business is dependent not just on its own actions, but on the customers it attracts. Just as shops can reasonably tell customers not to smoke, they should also be able to insist on any other standards they see fit. If people do not like it they can always take their custom elsewhere.

The fact that Harrods' dress code has been greeted with such suspicion shows that the customer-is-always-right mentality has gone too far. Sometimes the customer is a damn nuisance and I admire the companies that do not stand for it.

Well done also to Standard Chartered for its fine and upstanding declaration that it will withdraw from any country that relies on bribes or unethical business practice. I shall be fascinated to see how it gets on. The bank does business in a long list of countries where I had always thought large and small backhanders were part of the cost of being there. If Standard Chartered stays in those places, that will be proof that stories of corruption are overdone or out of date. Alternatively, it just could mean that no such international operation should make sweeping declarations of that kind and hope to live by them.

FINANCE

Classic way to cut driving costs

Come the summer and out come cars which are usually kept lovingly polished in the garage and away from the rain. Vintage Jaguars, classic Alfa Romeos and peak condition Jensens are as much a part of the traffic in the summer as newer Toyotas and Fords, except that their drivers look as if they are enjoying themselves more.

If you are waiting for August 1 to buy your new M registered car, think again. Classic cars are not only beautiful; they also offer a rare combination of luxury while saving their drivers money.

Lika property and fine art, classic cars were another of those 1980s "overvalued" assets. Prices have fallen, which is good news for someone considering buying one now. One advantage is that, through careful choice, a classic car could cut your company car tax hill.

The oew system of company car tax which came into effect in April, is based on the list price of the car. Employees pay tax on 35 per cent of the manufacturer's list price of the car when new, plus the price of any accessories and value added tax. One concession is that the list price is reduced by one-third for company cars which are four or more years old at the end of the tax year.

Forget classic cars which are worth more than £15,000 (and which are over 15 years old) – they will be taxed on their open market value.

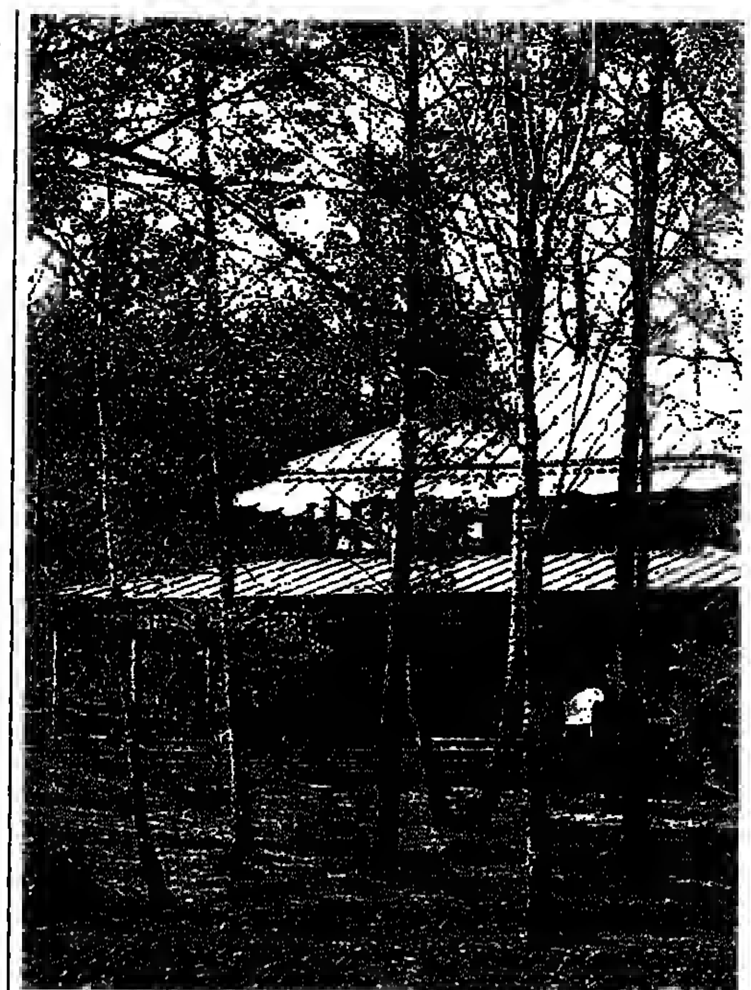
However, Maurice Parry-Wingfield of accountant Touche Ross points out that if the car is worth less than £15,000 and is over four years old, the benefit will be taxed according to the original car price and then reduced hy one-third because of the car's age: "For less than £15,000 there are many commendable vehicles available. Who would balk at, say, a 1978 Mercedes 350SL convertible which has a list price of a relatively paltry £12,500 and a value in the region of £13,500?" ha says.

A higher-rate taxpayer choosing this car would pay £1,167 in tax, less than half the amount they would have to pay – £2,492 – on a Mazda MX5 1.8i S, which has an original list price of £17,800. Although the Merc's running costs may be higher than for a new car, Parry-Wingfield points out that one fo the biggest costs when running a car is depreciation and, since the depreciation on the Mazda is likely to outstrip that on the Mercedes, the saving should offset any increase in running costs.

Even if you are not choosing a company car hut want to huy one for your private use, a classic car still retains an important advantage, in terms of lower insurance premiums, over other cars. Some motor insurers are prepared to charge lower rates as long as the car is old (usually over 15 years) and not driven too frequently. The most common mileage band is for a maximum of 3,000 miles a year, although some policies allow up 6,000 miles.

There are o number of specialist insurers and brokers, including Norwich Union which has o Collectors' Vehicles policy (0603 622200); John Scott and partners (0252 725555), KGM Motor Policies (081 530 7351); Hall & Clarke (081 908 5611) ond Bain Clarkson (0384 455011).

Scheherazade Daneshkhu



LIVING SPACE

Mail order route to French house design

Back in 1901, the Ladies Home Journal offered its readers the chance to huy a house – or rather the architectural plans for a house, designed hy Frank Lloyd Wright, then a rising star of American architecture – for a $5 fee.

Trois Suisses, the French mail order catalogue, is now following suit hy marketing a mail order house of its own, designed hy Philippe Starck, the superstar French architect, for a slightly more substantial fee of FFr4,900 ($932).

Starck is the man who sold half a million lobster-shaped lemon squeezers for Alessi and whose design flair turned the Royalton and the Century Paramount into the hippest hotels in Manhattan. His mail order house has only been on the market since June hut, judging by the first flurry of orders, seems set to he another success.

The house, says Starck, is the "type of place I wanted to live in as a child, hut didn't." It is a simple wooden constructioo oo two floor with windows and a verandah all around, that looks like a modernist mixture of a Chinese pagoda and a Russian *dacha*.

Starck has huilt his own version of the house in a forest on the outskirts of Paris. His "leettle 'ut in the woods" appears in the Trois Suisses catalogue. It looks stunning. His original Charles Eames chairs and *fin de siècle* Venetian mirrors help: but even without them it is easy to see the appeal of the artisanal wooden facade and of the clear, bright rooms with light streaming through the windows.

Trois Suisses reckons that it would cost FFr1.1m to huild the house with the verandah and FFr850m without. The only hitch is that, so far, it has only cleared the design with the French planning authorities. Anyone who fancies recreating *Chez Starck* in another country will have to begin by battling with the bureaucrats.

Alice Rawsthorn

READING MATTER

Biographies for the beach

For those considering recent biographies for a good summer read, a spate of lives of French literary masters should provide some predictably intoxicating hlends of art, sex and money.

Craham Rohh's *Balzac* (Picador), the first English biography on this subject for 50 years, tells the splendid tale of the author who coldly calculated that "each night of love cost half a volume", an equation which did not disturb his cootemporary Stendahl who, according to his biographer Joaothan Keates (*Stendahl*, Sinclair Stevenson), boasted of his sexual exploits by marking the dates of his conquests on his braces.

Moving on a few decades, hut still in the same spirit of restless decadence, Joanna Richardson's *Baudelaire* (John Murray) tells the tragi-comic story of the improvident youth who inherited a fortune at 21, only to blow much of it on an exotic mistress who gave him the syphilis from which he died; there are parallels with Mallarmé, who, according to Gordon Millan's account (*Mallarmé: A Throw of the Dice*, Secker & Warburg), also failed to reconcile his tormented existence with the radiant purity of his poetry.

But who needs 19th century French glamour and scandal when there remains a Kennedy to write about? Joe McGinniss's *The Last Brother, the Rise and Fall of Teddy Kennedy* (Little, Brown and Company) observes that the man who was probably never fit for presidential office in the first place was further and fatally handicapped hy the guilt-driven revenge of the American press who belatedly recognised their inadequacies in exposing the foihles of Teddy's elder hrothers.

It is a long way from the quiet, unsophisticated life of Joseph Chamberlain. Peter T. Marsh's astute life (*Joseph Chamberlain: Entrepreneur in Politics*, Yale University Press) sees Chamberlain at the centre of many of the 19th century's greatest social reforms, but denied the ultimate prize of prime ministerial office in Britain hy his errors of judgment and changes of mind – the archetypal politician of great influence hut little power.

Another forgotten man in need of rehabilitation is Giuseppe Mazzini, the neglected theorist of Italy's *Risorgimento*. Denis Mack Smith's eponymous volume (Yale University Press) attempts to redress the balance of praise which has usually heen lavished more unreservedly on the more glamorous Cavour and Garibaldi. Any man who manages to be admired by both John Stuart Mill and Friedrich Nietzsche...

The ontstanding biography of the last few months is Lyndall Gordon's *Charlotte Brontë: A Passionate Life* (Chatto and Windus), a radical reappraisal of a woman more often seen as a waif whose timid genius was destroyed by years of hardship; Gordon instead offers a portrait of a fierce survivor who managed, unlike her sisters, "to die with human love on her lips".

Peter Aspden

BUZZWORD

Federal

If the EU is not converging, its terms of abuse are. As the battle raged betweeo "anti-federalist" and "arch-federalist" last mooth, Jacques Santer, Commission President elect, was recast as a "non-entity" by the UK press, translated by El Pais, the Spanish newspaper, as "un doo nadie" (17 July).

Federal means "government in which two or more states constitute a political unity while remaining more or less independent with regard to their internal affairs" (OED). That, especially the "more or less" part, leaves scope for debate. The word derives from latin *fidere* (to trust) and *foedus* (treaty); the Latin *foederatus* means "bound hy treaty". The word evolved into the medieval French *federation* and then into English.

Federalism has become a label applied by nationalistic British Conservatives to anyone who believes in European coovergence or the ceding of power to Brussels.

"Spot the federalist" has become one of the main pastimes of British euro-sceptics. Anyone tarred with the federalist hrush is deemed untrustworthy hy the British right wing though scant attentioo is paid to what the term means.

So last mooth's search to replace Jacques Delors turned upon whether the candidate was regarded merely as a "federalist", a "ceotralising federalist" (Jean Luc-Dehaene, the initial candidate) or a "deceotralising federalist" (Santer's variety, according to John Major).

Why is *federalist*, for a British Conservative, a term of abuse, but often a term of approval for many Contineotal Europeans or Americans?

Federalism stems from the US

and France in the 18th century. It has European roots hut an American upbringing. Strictly it dates from tha 1780s in America under Washington, Adams and Madison, creators of the US governance. The latter wrote in Federalist Papers: "The powers delegated by the Constitution to the federal government are few and defined" (26 January, 1788). The architecture of the period (1780-1800) is even known as Federalist.

Andrew St George

STYLE

Travelling light

The surprising thing about packing a holiday suitcase is that the formula hardly changes from year to year.

The more practised you become the less likely you are to take dozens of things that never get worn. There are certain rules which always apply to a two-week sunshine holiday. The first is you never need anything that dressy (and that includes jewellery). The second, that it helps to keep your clothes in a choice of two or three colours. (Black and white being the most obvious).

A formal evening dress with stockings and stilettos looks somewhat out-of-place, even banal, in a mediterranean setting. You can tell a practised traveller by the way she saunters out to dinner in a white t-shirt and white trousers, accessories consisting merely of a pair of strappy silver sandals and a few hrush strokes of hronzer on her cheeks.

The summer sales in Britain are full of floral viscose dresses (short and long) which can be dressed up (those silver sandals) or down with a t-shirt underneath and espadrilles. Look for tha Ghost label (*Whistles, Harrods, Liberty*) and you will find the perfect weight fluid viscose crepe in simple solid colour dresses, elasticated waist trousers and long line, loose-fitting tunic tops. Flyte Ostell (*A la Mode* and *Liberty*) and Betty Jackson (311 Brompton Road) are designers with a similar philosophy.

Do you really need shorts? Yes, if you plan to play tennis and other athletic pursuits. No, unless you huy shorts that are tailored to flatter (*Calvin Klein at Selfridges, Levis or Emporio Armani*). A sarong skirt, or piece of patterned fabric (for glamour you can use a large Hermes silk scarf) tied round a swimsuit and knotted at the waist is far more stylish as an alternative. Cooler too.

Always plan to take items which double as something else, like the silk scarf that can be worn as a hairband, over the head if visiting a church or as a mini sarong – even as a bedspread if you hate the rented villa furnishings.

Classic shirts always present an ironing problem which is why simple tank-style swimsuits, which work as hodies for the day, are far less like hard work.

Clamourous plunge-oeck styles (hlack is always best) can double as an evening top. The hrave can take this years' three-triangle bikini because at least it takes up no packing space.

Shoes are the most hulky item, but the way they transform the image of an outfit is paramount.

That crease-resistant viscose dress says one thing worn with trainers, another when with espadrilles and changes further with delicate strappy sandals. Good sunglasses with Polaroid lenses, a sunhat that will survive the journey, and a bag which works for the beach and the market and doesn't look like the formal leather one you take to the office are all intelligent investments.

Illustration: Left: slip dress by French Connection, £44.99 at Fenwicks. Crochet bag by Ursula Beaugeste from £25 in Browns Sale, 23/27 South Molton St W1. Centre: cropped ribbed top, Jeffrey Rogers, £15.99 in Fenwicks Sale. Sarong skirt in silk, £59 Austin Reed Sale, 103-113, Regent Street, W1 and branches, (0800 585 479). Right: Sunglasses by Cutler and Gross, Knightsbridge Green, £79. Viscose crepe tunic £70 ond elastic waist trousers £80 from o selection by Ghost available ot Whistles, 12, St Christopher,s Place and branches.

Espadrilles £9.99 Laura Ashley, 0628 770345.

Kathy Philips, beaoty director of Tatler

SPORT: LAURA THOMPSON

Keep betting in the dark

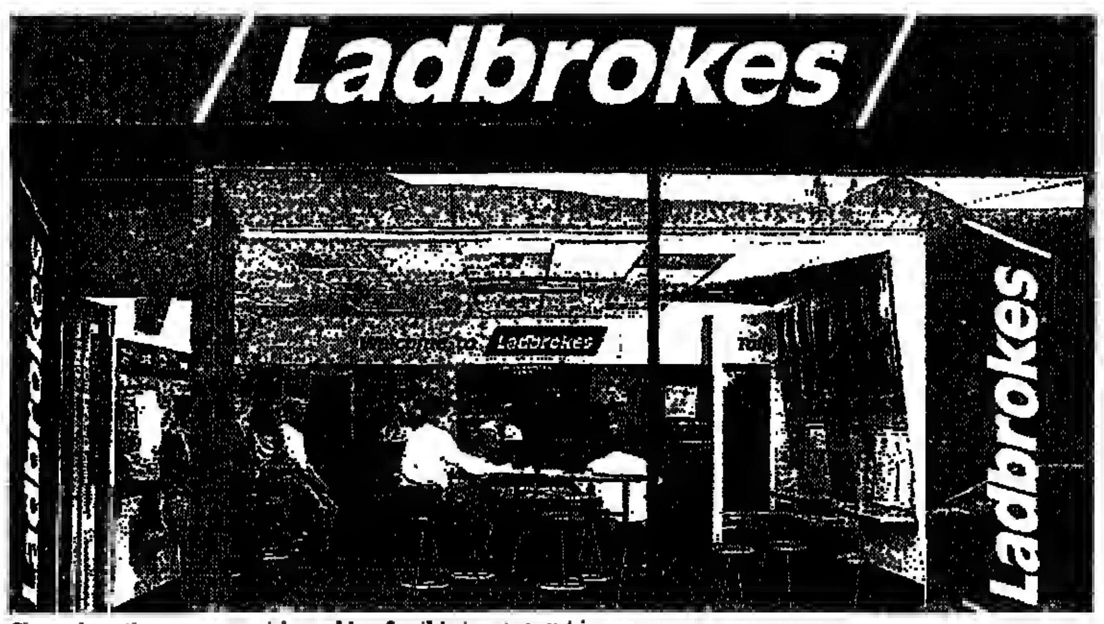
In 1961, the year that murderous upheaval in Sonth Africa was putting the country beyond the pale as far as liheral democracy – and, ister, cricket – was concerned, a smati social upheaval was taking place iu Britain. On May 1 the first legal betting shops were opened, and a message was printed oo the cover of the Sporting Life from Home Secretary Rah Butler to all those who were waiting, in their metaphorical traps, for their first race to the bookmaker. Within its dry paragraphs, Butler's statement conceded that off-course gambling had become so rife it could no longer be ignored. "The old law had fallen into disrepute" – yes indeed, what with policemen directing likely lads to the nearest illegal betting shop, and informing street hookmakers, via a manly and bribe filled handshake, that later that day they might be arrested. The Betting and Gaming Act was a sensible and adult piece of legislation, which admitted the existence of certain, helpfully improper, human impulses and which, hy admitting them, ensured that they did as little harm as possible.

Of course, the first betting shops did not set themselves up next door to Harrods and proclaim their trade with decorative shop window displays. They were legal, hut they still had the aspect of something illegal; they were covert chambers, made puritanically uncomfortable in order that people should not be tempted to linger in them.

And yet hy 1968 there were over 15,000 of these murky little places. Today around £4hn a year is gambled off-course on horse racing, and around £1.6bn a year on greyhounds (as well as all those other bets on whether, say, England will ever win another test match.) Of the 10 per cent tax that is paid on these hets, the Treasury receives 7.75 per cent: the government that gave grudging life to the first betting shops also gave to its successors a magnificent annual preseot.

In 1986 the importance of gambling was agaio acknowledged when legislation was passed allowing betting shops a tentative entry into the smart, spry, designer world of the late 1980s. They were permitted to serve refreshments, which encouraged people to stay in them for hours at a time, and to show live races on television (previously, punters had stared at the wall and listened to a stream of consciousness voice-over, which passed with surreal ease between Red Rum's third Grand National win and the 3.36 at Hackney Wick).

The shops also began to install



Clear view: the government is pushing for this transparent image

carpets and shiny frontages and smooth lighting. Some of them became very comfortable indeed. Behind their darkened windows lay what was, for many, the perfect living room: coffee, cigarettes, a seat in front of your favourite TV programme and a feeling, even during the hours when the world around you was at its husiest, of absolute seclusion from that world.

And, for all the agreeable physical changes that have been wrought upon hetting shops, it is in that unchanging sense of seclusion that their sttraction truly resides: that sense of apartness from the bright streets in which people walk with no knowledge of the gamblers' cootrived, complicated and personal communion with the future. Outside the betting shop, into which daylight never intrudes, what do those people in the *real* world know of the alternative world that the gambler has fabricated for himself?

What do they, with their one Grand National bet a year, know of the terrihle hope placed in that horse running at Lingfield, the one that showed such improvement last time out, the one that the gambler has singled out as his horse and that will maybe infuse him with emotions that soar and rampage and have little, in the end, to do with the desire to win money? What do they know of the gamhlers' world, of its rigid codes of behaviour, of its addictive rhythms, its terse camaraderie, its supreme pointlessness, its powerful reality?

For all of us, life is an attempt to control our fate within the unpredictability of its existence. But the gambler does this in his own way: a way that is compressed, dramatised, specialised and, above all, intensely private, because it is he who chooses tha arena within which he will battle against the odds.

This privacy, or self-containment, is something that he relishes. That is not because he is ashamed, hut because he is actually rather proud. And if he wants to keep his gambling hidden behind the darkened windows of the betting shop, then he should be able to do so.

However, the government has decided that it is time to dahhle again in betting shop legislation, and has advised that the occluded glass which separates gamblers from the world outside should be replaced with something cheerily transparent. It is a ridiculous idea, partly connected with the cootemporary urge to sweep all atmosphere out of every institution; hut mainly coocerned with getting more people into betting shops by attempting to conceal the difference between gamblers and non-gamhlers.

That is an impossihle thing to do. My prediction is that the bright new betting shops will lose more customers than they attract. The day that I walk into Ladbrokes to find that the shrewd, squint-eyed old boys have gone home to watch Teletext and do their business over the phone, and the place is full of women sipping tea and placing £2 each way on Housewives Choice, ridden hy Lester Piggott, is the day I shall know the late 20th century has destroyed yet another of its links with a more fascinating past.

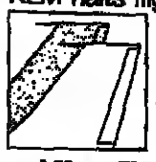
LEGAL NOTICES

Notice of appointment of Administrative Receiver

Company name: Duncan Lacey Food Services Limited. Registered number: 2821866. Former company names: Jointelfort Limited. Nature of business: Frozen food wholesaler/distributors. Trade classification: 12. Date of appointment of Administrative Receivers: 13 July 1994. Name of person appointing the Administrative Receivers: Lloyds Bank Plc. Joint Administrative Receivers: E M Shires (office holder number 7925) N J Vooght (office holder number 6339). Coopers & Lybrand, PO Box 262, Orchard House, 10 Albion Place Maidstone, Kent ME14 5DZ.

BUSINESS TRAVEL

KLM halts flights



KLM Royal Dutch Airlines has suspended its flights to Lyon, Nice and Marseilles because of the three-day strike by French air traffic controllers.

KLM usually operates two flights daily to each of the three southern French destinations.

KLM is advising passengers to fly to alternative airports such as Paris and Geneva, before completing their journey by train.

St Louis train

St Louis, Missouri, has become one of a few US cities to run a train service from the airport into the city, **writes Daniel Green.**

The airport is one of the 10 busiest in the US and the city is home to the Anheuser-Busch brewing giant as well as Monsanto in chemicals and McDonnell Douglas in aerospace.

Metrolink runs from 5am until past midnight. Its air-conditioned trains run every eight minutes in peak periods and every 15 minutes at other times. The journey takes 34 minutes and the fare is just $1.

Air freshness

A study in the August issue of *Consumer Reports* magazine found that almost a quarter of commercial flights do not meet a basic standard for air freshness.

About 25 per cent of flights tested had carbon dioxide levels higher than 1,000 parts per million parts of air – the "comfort threshold" for ventilation set by the American Society of Heating, Refrigerating and Air Conditioning Engineers.

Although the magazine tested 44 jet models, it cited only two as veering notably from the average: the Boeing 757, which had comparatively high carbon dioxide levels – 1,552 ppm in one case – and the Boeing 747-400, which had comparatively low levels.

The air in most of the planes tested had levels between 500 and 800 ppm. There were no pronounced differences between airlines.

The problem, according to airline employee unions and researchers, is that newer model planes recycle as much as half of their ventilation air, instead of providing 100 per cent fresh air, as older models did.

Mozambique unrest

Mozambican soldiers, disgruntled over pay, stopped and plundered cars travelling to Maputo from South Africa on Friday, police and border officials said.

Willie Reynecke, of the South African Department of Home Affairs, said the soldiers were stopping cars on the road from the Lebombo border post, near Komatipoort.

The unrest is the latest in a spate of mutinies in recent months by government soldiers and members of the former rebel movement Renamo.

Border jams

Road traffic between Hungary and Austria came to a virtual standstill on Saturday as Hungarian border guards stepped up passport and customs checks following a bomb blast in Budapest.

Austrian customs officials said Hungarian border guards were checking the documents and belongings of every person, regardless of nationality, leaving and entering the country.

This was creating kilometre-long traffic jams on both sides of the border.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	33	32	31	30	30
Hong Kong	27	27	29	28	28
London	28	25	25	24	24
Frankfurt	32	32	33	28	25
New York	32	31	30	31	33
L. Angeles	26	31	34	28	27
Milan	31	32	32	28	28
Paris	31	32	31	23	24
Zurich	29	30	29	23	23

Maximum temperatures in Celsius
Information supplied by Meteo Consult of the Netherlands

Chrystia Freeland offers advice for a trip to Kiev, and says you'll need stamina to cope with Ukrainian hospitality

Hosts with the most

Travellers to Kiev need not be too disheartened by Ukraine's dismal international image. In spite of the dire economic data, you will not starve in the country that was once the bread-basket of Europe. Neither is there any need to buy chocolates, cigarettes or perfumes in duty free before you leave – they are plentiful, and cheaper, in the kiosks lining Kiev's main streets.

Nor, however, should you expect all the comforts of home. Bring wads of cash in small, unmarked notes (but beware of keeping it in a money belt, which is more likely to bring you to the attention of local hoods than offer protection) and all the toiletries you need, and be prepared for intermittent hot water.

Arrival at Borispil, Kiev's international airport, offers the business traveller a useful lesson about Ukraine: the Soviet system is gone, but no effective mechanism has emerged to take its place.

There is the odd improvement. Entry visas, which once meant standing in long queues outside Soviet embassies abroad, can now be purchased with relative ease and often less expense ($50) at the Ukrainian border (unlike in neighbouring Russia). However, be prepared to spend a long time waiting in Kiev's dingy airport. A letter of invitation from a Ukrainian organisation, while not necessary, often expedites the process.

Foreigners who do not speak fluent Ukrainian or Russian should expect to pay $40 to $50 for a taxi ride to the centre of town. Once a deal has been struck, Ukrainian cabbies tend to be honest and safe. But you may find it reassuring to arrange to be met by your hosts at the airport – this, in any case, is the Ukrainian custom.

The worst part of your visit to Kiev will probably be the accommodation: the Dnipro and Khreshchatik hotels, on the city's main street, are centrally located and fairly inexpensive (about $120 a night), but the rooms can be dreadful – small, with uncomfortable beds and disintegrating bathrooms. The Intourist-Rus, on a hill near the centre of the city, is a bit more comfortable and has fax machines and photocopiers, but the bill is more than $200 a night.

If your visit has any connection with a government institution, try to wangle a room at the National Hotel. Once reserved for high-ranking communist officials (before independence it was known as the October Hotel, as in the October Revolution), the National offers a glimpse of the lifestyle of the *ancien régime*. The hotel boasts more marble than the European Bank for Reconstruction and Development in London, and an abundance of chandeliers. It is safe, comfortable and centrally located.

Unless you have travelled widely in the former Soviet Union or are visiting Kiev for pleasure, it is best to hire both an interpreter and a driver. Find the interpreter first (best of all, do so before you arrive), and ask her or him to negotiate with one of the municipal cab drivers.

The interpreter should cost $50 to $70 a day, and the car about $40 a day. Businessmen with Moscow offices sometimes bring their Russian interpreters to Kiev; if possible, it is better to hire someone local. While almost all Ukrainians speak Russian, most official functions are conducted in Ukrainian, a language your Russian translator will only hazily understand.

Ukrainian business etiquette is mysterious, but vital to master. Contracts are often awarded not to the company which promises a slightly better deal, but to the people who convince their Ukrainian contacts that they are basically good guys.

To demonstrate your affable and trustworthy nature, expect to spend a long time with your Ukrainian counterparts while consuming large

Contracts are often awarded to the people who convince their contacts that they are basically good guys

quantities of alcohol and food. The ritual routinely begins at 7 o'clock in the morning and goes on past midnight. Your reward for holding out on the first day is to begin the whole process again at sunrise.

Women, who should expect flamboyant hand-kissing and regular comments on their physical charms, enjoy a rare advantage in this regard. Pleading feminine delicacy, they can generally avoid the worst of the bacchanalia.

If you are left to fend for yourself, or manage to prise yourself away from the overwhelming hospitality of your hosts, Kiev has a small but growing number of fairly decent restaurants. The best pizza is at Arlechino, the pizzeria in the Nika supermarket-restaurant complex in front of Kiev's main market. For a more formal, but fairly expensive, meal (about $40 a person) try the Apollo, just off Khreshchatyk, the city's main street, or Del Mario, an Italian restaurant on vulytsia (Ukrainian for street) Saksahanskoho, not far from the train station.

Tsian Deng, a new and remarkably good Chinese restaurant on Gorky street about 10 minutes from the centre of town, offers a respite from heavy Ukrainian food and the homogenised Italian dishes which are the main fare in Kiev's hard-currency restaurants. A word of warning – leave your Ukrainian friends at home, since only the most cosmopolitan Kiev palates have discovered the pleasures of oriental cuisine.

A charming, and surprisingly affordable, way to entertain Ukrainian partners is by renting one of the boats that cruise the Dnieper, the big river which bisects Kiev and has been one of Ukraine's main trade arteries for more than a millennium. To rent a boat for an evening should cost no more than $500 and groups often take 36-hour cruises up and down the river at about $60 a head.

As the moon rises over the river and Kiev's desolate industrial suburbs give way to a verdant countryside, you might forget about the endless bureaucracy and unpleasant bathrooms. Don't bring up the contracts, though, until your party disembarks in Kiev.

James Hill

Word on the street: conditions in Kiev are better than many visitors expect

US warns against Russian flights

The US has warned the public not to travel on successors to the Soviet-era airline Aeroflot. The government had earlier warned its own officials against travelling on Russian airlines.

David Johnson, a spokesman for the State Department, said no specific incidents prompted the warning.

The department last Monday made public a notice that the US Embassy in Moscow had issued to US government officials operating in Russia.

It noted that "travel within Russia is often unreliable", adding "domestic air travellers must often cope with unpredictable schedules and difficult conditions, including overloading". The statement said "government officials working in Russia are instructed to defer routine air travel".

It warned that until the US Federal Aviation Administration has completed its evaluation of the Russian civil aviation system "only official air travel deemed important and absolutely necessary to the US government should be undertaken on Russian air carriers".

"Private Americans may wish to consider this information when making travel plans," the State Department said.

But Johnson stressed air travel on Russian lines by US citizens is not forbidden.

MEDIA FUTURES

Moose, salmon and fibre-optics

By Bernard Simon in Saint John, New Brunswick

New Brunswick is not the sort of place where one expects to find a Ministry of State for the Electronic Information Highway. With abundant forests and waterways, the eastern Canadian province is best known for salmon fishing, moose hunting, and high tides in the Bay of Fundy.

But if New Brunswick Telephone Co (NBTel) and Northern Telecom, the Toronto-based telecoms equipment maker, have their way, New Brunswick will soon gain recognition as a pioneer in the unfolding world of multimedia. The aforesaid ministry of state, which was created last February, is set to play a significant supporting role.

Northern and NBTel are partners in a C$300m (£142m) project which aims to bring a range of video-on-demand services to 400 homes and to six schools in Saint John, the province's commercial centre, within the next 12 months, and to 60 per cent of all phone subscribers in the province by the end of 1998. "Everything we learn here is going to be used worldwide," predicts Clint Colpitts, Northern's manager for New Brunswick. The bulk of the funds will be used to build a broadband nstwork based on the province's wholly-digital phone system and an existing fibre-optic network which connects the main centres.

Northern is the overall project manager and systems integrator. It will also supply the fibre-optic transmission equipment and the high-capacity asynchronous transfer mode (ATM) switches required for broadband services.

NBTel has gained a reputation as an unusually entrepreneurial utility. All its 300,000 customers have access to voice mailboxes as part of their basic phone service. BCE, the Montreal-based telscommunications group which controls Northern Telecom, also has a 41 per cent stake in NBTel. "We're small enough to have ideas and big enough to execute them," says John MacDonald, NBTel's chief executive, whose business card includes his electronic-mail and Internet addresses.

Talks are under way to bring New Brunswick's two main

cable-TV companies into the project. About 83 per cent of the province's homes are already wired with the coaxial cable required for cable-TV and broadband signals. Everyone would prefer to avoid the cost of overlapping infrastructures, and the inconvenience to consumers of two set-top controllers – one for cable-TV, and the other for multimedia services.

MacDonald likens the ideal broadband system to a single highway or airport used by competing trucking companies and airlines. He says that "we're open to any proposals to accelerate deployment of the network and bring down costs." But he adds that "if we can't come to an accommodation (with the cable companies), we have to secure our future, and they have to secure theirs."

The core of the new multimedia service will initially be a library of educational videos provided by Magic Lantern Communications, a Toronto-based distributor.

An electronic shopping mall and a range of government services will also be available from the start. Viewers will be able to choose which advertisers' promotions they want to see, and to charge purchases to a credit card using the interactive service. Northern hopes later to add an "intelligent agent" which can ba programmed with the shopper's personal profila (size, colour preferences, and so on) and can search the database for competitive prices.

The inclusion of government services stems from the strong support which information technology has received from the New Brunswick authorities. The province's premier, Frank McKenna, is widely regarded as one of Canada's most forward-looking and sensible politicians. McKenna, who often jokingly introduces himself as NBTel's vice-president for marketing, has latched on to the "information highway" both as a means to attract investment to his province, and to improve government efficiency.

A pilot project in two towns allows residents to sit at a single computer terminal to pay property taxes, renew car licences, buy fishing permits, or apply for a birth certificate. Entrants to the annual lottery for moose-hunting licences have in the past submitted their bids at a government office. But this year's "Moose Draw" was conducted entirely by touch-tone telephone.

Northern and NBTel are confident they have the technology to meet the deadlines for their video-on-demand service. They are lass sure however, what services customers will want, and who will pay for them.

The partners have already begun organising focus groups to help determine the content of their services. A market research or media consultancy may be brought in for advice.

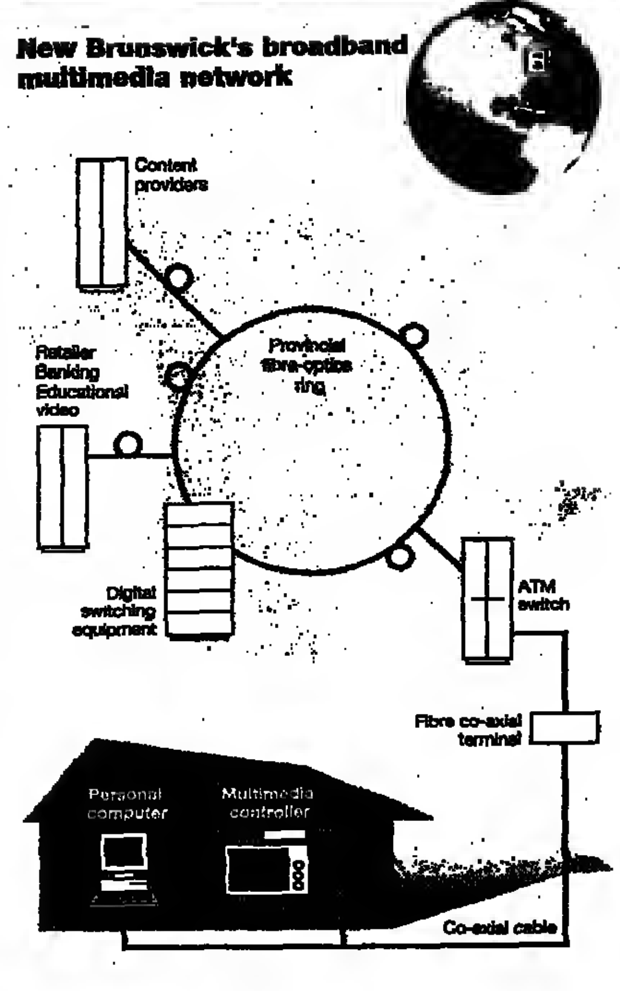
Services will be charged on a transaction basis, rather than at a flat rate, such as that used for cable-TV. Northern and NBTel recognise, however, that viewers may not be thrilled by the idea of paying to enter an electronic shopping mall or government office.

Much of the financial burden is likely to fall on advertisers and other businesses, at least in the early stages. Among the ideas being floated is to refund the fee for opening an electronic shopping catalogue once a purchase is made. Consumer-oriented businesses, such as McDonald's, the hamburger chain, could hand out a "smart card" with every purchase, to be used, say, for one hour of multimedia viewing.

Content and financing issues raise more questions than answers just now. In the fast-evolving world of multimedia, there is no guarantee that the project will be a success. But Northern'a Colpitts confidently predicts that "when the capability is there, all the entrepreneurs and marketers are going to come out of the woodwork and make this thing hum."

Other articles in this series have been France (July 4), Japan (June 13) and Italy (May 30).

New Brunswick's broadband multimedia network



Panamsat raises stakes

By Andrew Adonis

Panamsat, the private satellite operator which competes with Intelsat, earlier this month launched the first of three new satellites aboard a French Ariane rocket from Kourou in French Guiana.

The launch of Panamsat II is a key step in the company's aim to establish itself as a global operator competing not just with Intelsat, but with smaller regional satellites such as Astra in Europe.

In November Panamsat II will be followed by Panamsat III, which will cover the Atlantic, and next April by Panamsat IV, which will cover the Indian Ocean, acting as a bridge between Europe and Asia.

"The three satellites will give us between six and seven times our existing capacity," says Fred Landman, chief operating officer, from Panamsat's headquarters in Greenwich, Connecticut. "It will put us in a far stronger position to erode the hold of Intelsat on this market."

Panamsat boasts a cast of blue-chip clients, from international telecoms operators such as KDD of Japan to most of the main US broadcasters. It has already signed up 12 customers for Panamsat II, although the satellite will not be operational for another few weeks.

What is the key to Panamsat's appeal? "Ws are private enterprise in outer space," says Landman. "Ws are customer-oriented, and have a rapport with more than 300 users with specially-tailored services."

He expects the satellite market "to explode" in the next two years. "When we started as the first private international system in 1986, tha world was one big satellite monopoly. But the telecoms and broadcasting industries upon which we depend have themselves opened up to greater competition since then, opening up an array of new opportunities for us."

Broadcasters account for two-thirds of Panamsat's revenue; the rest comes from telecoms operators. "I expect that balance to continue," says Landman. He sees significant telecoms opportunities in developing regions – Latin America, Africa, Eastern Europe, Asia – where fixed infrastructure is either unavailable or not of sufficient standard to provide the quality of communications required by the corporate sector.

The total cost of the three satellites will be $720m. It is a hefty sum to recoup, particularly with the launch of other private systems such as Orion. But Panamsat points to a committed investor base, boosted recently by the Mexican broadcasting company Grupo Televisa SA.

Panamsat II is launched from French Guiana on July 8

Interactive boom for US

By Raymond Snoddy

Interactive digital media will expand sharply in the US, and be the fastest growing sector of the communications industry over the next five years.

The forecast of annual compound growth of 11.7 per cent to a total of $22.3bn by 1998, compared with $12.8bn last year, comes in the eighth annual Communications Industry Forecast by Veronis, Suhler, the US investment bank, published today.

Interactive digital media consists of entertainment and information that is distributed, or soon will be, in digital form.

John Suhler, president of the investment bank expects growth in of the interactive media industry "will continue to be explosive over the next five years".

Veronis, Suhler expects the number of on-line households in the US to triple to 10.5m over the five year forecast period, with subscription spending for services rising in line from $407m last year to $1.5bn in 1998. Spending on educational software is expected to more than double to $888m by 1998.

According to the report, consumers will spend $5.2bn a year by 1998, buying prodncts from televised home shopping services. This is a 9.6 per cent average growth rate, although it compares with 13.2 per cent over the previous five years.

Overall the communications industry will continue to expand in the US, and spending by both advertisers and consumers on products and services will reach $308.5bn by 1998, a compound annual rate of 6.6 per cent over the next five years.

Advertising spending will grow by no less than 5 per cent in any of the next five years.

Other highlights from the report include:

- Television broadcasting spendiog to increase to $34.7bn, with the erosion of network audiences ending and the networks holding their market share.
- Total radio advertising growth to double at a 7.1 per cent rate over five years, reaching $13.2bn by 1998.
- Cable spending to reach $27.4bn, growing at a 4.7 per cent annual rate.
- Total spending on newspapers (advertising and circulation) to total $60.2bn by 1998 - a 5.9 per cent compound annual rate.
- Spending on books to reach $32bn by 1998 – expanding 7.2 per cent over the next five years.

1994 Communications Industry Forecast from Veronis, Suhler, 350 Park Avenue, New York, NY 10022 212-935-4990. Price $500.

Post haste for barcoded mail

By Alan Cane

The Royal Mail is planning to extend to the whole of the UK a scheme – at present on trial among a number of its larger customers – which promises dramatically to simplify mail addressing and sorting.

The scheme initially involves adding extra characters to existing postcodes so that each code will identify a single, unique address.

The nub of the Royal Mail development, however, is the transformation of the extended postcode into a new kind of barcode which can be read by special electronic scanners at rates of up to 30,000 items an hour. It is thought the target for completing the conversion is the early part of next year. The barcodes will be chiefly of benefit to high volume, bulk mail customers. Mailsort customers who presort their post already qualify for a 2 per cent discount for barcoding 30,000 items or more.

Conventional barcodes, widely used on products and packaging in industry and commerce, comprise printed columns of bars of varying width. These can be read optically to yield information about the product or contents.

The Royal Mail barcodes are different in form, consisting of patterns of lines of varying length which can be printed under control from a personal computer. One advantage is that the barcode reading machines are able to recognise the pattern despite the presence of, say, advertising materials on the packaging.

Barry Jeeves, customer barcoding consultant to the Royal Mail, quoted in the current issue of tha magazine *PC Week*, says the Mail has essentially developed its own barcode based on an existing US standard. Conventional barcodes, he says, were not quick enough. There were problems with low quality printers and materials.

There are some 25m domestic and business addresses in the UK. Existing postcodes identify a group of about 15 addresses and are adequate for existing sorting systems, which are based on machine recognition of phosphorescent dots printed on the packaging. Customer should benefit greatly from keying in a nine character barcode instead of several lines of address.

ARCHITECTURE

Image projector's image

Colin Amery assesses Channel Four's new building in London

Television is everywhere and it is sometimes difficult to imagine it coming from any specific place. In these days of virtual reality, it comes as a surprise to realise thst TV channels need concrete headquarters and solid bases for their activities.

Opened earlier this month, the new Channel Four building in Westminster follows hot on the heels of the new ITN building in London, designed by Sir Norman Foster. Britons see ITN in all its transparent glory svery night on "News at Ten" - the image of efficiency and focused energy gives a certain boost of confidence to the broadcasting of the news itself.

When TV-am began its short life in a converted canal-side warehouse in Camden Town, it chose as its architect the jocular Terry Farrell who could not resist a sunrise-shaped entrance and a row of breakfast egg cups along the parapet.

Those jokey days are over and Cbannel Four took the appointment of its architect, Sir Richard Rogers, very seriously. Channel Four held a private competition and appointed a design committee to oversee the process and select the winner.

The composition of any jury is usually what determines the result and when you bave Nicholas Serota, director of the Tate Gallery, Michael Manser, a former president of the Royal Institute of British Architects, Michael Grade and Sir Richard Attenborough on the jury you can expect a fellow member of the modernist establishment, of a certain age, will be appointed. At the time of the competition (1991) I recall the much more adventurons scheme, by Bennetts Associates, which reached the short-list but did not win.

The winning design by Sir Richard Rogers shows how middle age has tempered the extremism of his early years when the Pompidou Centre, which he designed with Renzo Piano, was the first building to expose all its pipes and ducts on the outside of the facade.

This was seen as some kind of a breakthrough and announced the birth of the style known as high-tech. As is often the case with the promotion of architectural styles – a great deal depends on the personal charm of the architect. Richard Rogers bas always been a fervent evangelist and has used his personal charm to sell his particular brand of mechanistic modernism. It is interesting to see how he is modifying his line, and in all his public utterances about community architecture he begins to sound close to some of the views of HRH Tbe Prince of Wales.

Channel Four's new beadquarters occupies two and a half acres on Horseferry Road in Westminster, just behind the concrete horror of tbe Department of the Environment's headquarters in Marsham Street.

The slte had been earmarked 20 years ago for a 20 storey post office building and work had already started on ths construction of a ten metre deep basement. This below-ground work was utilised by the architects to provide s home for "no-daylight functions" such as the main studio and the preview cinema. As part of the planning deal, negotiated by Westminster City Council, half an acre of the site is a public park and children's playground.

Tbe plan of the building is a large "L" shape, with the knuckle of the building, at the joint of the "L", being occupied by the curved entrance area, boardroom, and restaurants. It is this curved element that is the most spectacular part of tha building and is really the only part of the design that seems to bear Richard Rogers's signature. The curved curtain wall, supported on a spider's web of steel, is something that all architects have tried to do since Norman Foster'a Willis Faber Dumas office building in Ipswich curved so sinuously on its site.

It is the component manufacturer who must take much of the credit for the success of something as striking as Channel Four's curved glass wall. It was made by Eiffel in France (who made the famous glass pyramid in the Louvre).

Permasteelisa, an Italian cladding manufacturer under the direction of Massimo Colomban, made the curtain walling on the office blocks which have a rugged toughness about them. Massimo Colomban is one of those brilliant Italian designer/businessmen who is currently founding a school to train architects in the "perfecting of component engineering".

Channel Four has really gained a fragment of a Rogers building – the excitingly curved entrance area and the lift tower and stack of meeting zooms – the rest of two blocks is routine offices. Indeed, one of the blocks will be let. Channel Four has spent £62m on the site and the building. Construction costs are some £39m which, allowing for ths special needs of a TVbuilding, is not far from the average for a good quality office block in central London.

Channel Four has provided London with a modest but striking example of late modernism – a kind of calmed, high-tech building. The particularly good thing is that it has stayed in the centre of the city, not gone wandering off to Docklands and has provided some housing for sale and a park on the site.

In image terms the new headquarters is much more workmanlike than Lord Reith's grand Broadcasting House. By concentrating all the architectural excitement at the entrance, Channel Four's new HQ is rather like TV itself – it promises a lot of sparkle but, once you pass the entrance the building, is pretty routine.

PEOPLE

Still sitting tight in the electric chair

Seventy this week, **Lord Weinstock** explains to **Bernard Gray** why, as custodian of GEC's history, he is still shaping its future

This Friday Lord Weinstock, managing director of GEC, will be 70. Yet there will be no great fanfare or party at GEC; no gathering of the great and the good. "No, I shall enjoy a quiet dinner in Salzberg with my friend Riccardo Muti, the conductor. His birthday is the day before mine and we have done the same thing for the past 12 years."

The juxtaposition of calculating businessman and contemplative music lover is only one of the tensions in Arnold Weinstock's character. He is a cultured and retiring man who has taken difficult and painful decisions in a tough industry. He lives well but abhors waste in his business. He is an ardent racehorse-owner who is too busy working to watch them run. He keeps a vice-like grip on every important financial detail of GEC, yet is none the less prepared to put his most valuable assets into joint ventures when the strategic need compels.

To him there is no contradiction between the private man and public manager. "I do not see the difficulty. I enjoy living well but it would be wrong to waste the company's money."

He also has some singular ambitions. On Desert Island Discs last year he confessed that in his youth he had dreamed of being an ice hockey player, but now he wishes he were a conductor.

For his sins, however, he is neither an ice hockey player nor a conductor but the custodian of a large part of Britain's electronics industry, and has been for a generation. His views about the company's future are inevitably tied to the way he has developed it since he brought together the three great UK electrical companies, GEC, AEI and English Electric in the late 1960s.

At 70, he is well past the normal retirement age for a chief executive, but the board has just asked him to stay on as managing director for at least a further two years. As a result, the next phase of the GEC's development is in the hands of the man who has shaped its recent history.

Weinstock's long occupancy of the British electric chair has sparked plenty of controversy, both by the aggression with which he formed the modern GEC, and his apparent stolidity since.

Observers have lionised and vilified him in almost equal measure. To look back through the contemporary accounts is to watch an inexorably shifting pattern. Weinstock was the man with the marketing flair who would sava consumer electronics, the man with the management vision to integrate Britain's sprawling hi-tech industrial base, the man with the grasp of detail to keep profligate engineers on the straight and narrow.

But as the glow of technological promise faded, GEC seemed to fade with it. Arnold Weinstock was made to carry the weight of disappointed expectations. If only GEC had been more adventurous in cutting edge technologies. If only the company had not leaned so heavily on government contracts. If only GEC had used that legendary cash pile. If only Arnold Weinstock hadn't been so cautious.

Weinstock turns aside brickbats in much the same way that he declines bouquets. There is, however, a tightness around his eyes when critics are mentioned which suggests that the barbs do strike home.

"These people do not understand our industry. We have taken some failing poor businesses which were deeply in debt and turned them into successful rich companies. And we do spend money. We have spent £2bn on acquisitions in the past seven years and £406m of our own money on research and development last year alone."

The arguments have become so entrenched on both sides that the battle takes on a weary familiarity.

Critics say that GEC has abandoned the technological high ground; Weinstock argues that he will make anything for which there is a profitable market. The charge is laid that he has retreated from the market to cosy government contracts; he points out that external forces such as the relentless advance of the Japanese in consumer electronics have in part shaped the company's direction. Weinstock seems to feel the pain of criticism, and there is a hint of residual disappointment that the company's achievements, and his own lifetime's efforts, are not better recognised.

For all that, his personal style has not changed in a quarter of a century. The functional office in Stanhope Gate. The telephone with a bank of direct dial lines to contact any of his senior managers instantly if there is a problem. The monthly reports from 150 subsidiaries which stress key financial ratios, all of which are scrutinised by the managing director personally; many are annotated in red felt tip pen, often with brutally direct comments.

"I'm not the kind of manager who can grasp a situation and make a decision in the same kind of very impressive instinctive way that Jules Thorn [founder of the now Thorn EMI] did. I must have the data to make a decision."

On the future of GEC and his own succession Weinstock is moderately candid. "There are some things I still need to do. I need to sort out our mix of industrial businesses and put some more things into joint ventures. For that it is important to know the people who will be your partners."

His vision of the company in 20 years is a detailed development of the present, rather than a radical shift or a new strategy for a new millennium. "In power engineering we are second only to ABB and we will prosper further. Electricity is not going to be replaced, and we can meet future demand."

The list continues. GEC has a good position in telecoms, albeit in a much smaller market than its partner Siemens. Defence electronics will hunker down for the tough times ahead – he still hankers after a joint venture to pool his business with BAe.

And though Weinstock wants to keep working he accepts that he will eventually have to move over. "There is enough talent in the businesses to take over. Other people will come forward with their own ideas, but I would like to retain some kind of consultative role, I think that would be useful."

There has been much speculation in the City that he would like his son Simon to replace him, though many investing institutions would strongly oppose the idea unless Simon could demonstrate that he was the best candidate. "I did nag Simon to join the company when he was at Warburg. But I know he would not want to do the top job if there were opposition to it. He has a very different personality from mine and acts in a very different way."

Also in the race are the three men recently appointed to the board: Peter Gershon, who runs GPT, the telecoms business; James Cronin, managing director of GEC Alsthom power engineering; and Roy Gardner, head of GEC-Marconi, the electronics arm. The other much-touted contender is David Newlands, GEC's finance director. If one of the candidates rises above the others in the eyes of the board and the City, the succession may be smooth. But the company is not home yet.

There are at least some signs of change at Stanhope Gate. Until recently a chipboard wardrobe which must have cost all of £50 at MFI stood in the corner of the modest waiting room. No-one in living memory had ever hung a coat in it. Now it has disappeared, though its imprint can still be seen clearly in the hard-wearing beige carpet. The room has even been painted and GEC's smart 1960s logo hangs on the wall.

Some things, however, remain the same. Profile writers have always moaned that no matter how hot the day or how long the interview, they are never offered refreshments by Weinstock.

They still go thirsty. As I left his office on a sticky July day Lord Weinstock wished me a speedy journey back to the FT. I explained that the train strike had emptied the streets – so much so that I had arrived for the interview 20 minutes early and had gone for a cup of coffee around the corner.

Lord Weinstock misheard me slightly. "You got a cup of coffee *here*?" he asked, his eyes bulging with astonishment. "They should do a Bateman cartoon – the man who got a cup of coffee at GEC!" Whatever else he lacks at 70, the custodian of Britain's electrical industry has a finely developed sense of self-parody.

NAMES IN THE NEWS

Baker: not spooked by French films

William Baker, just appointed as president of the Motion Picture Export Association of America, is more used to busting international crime syndicates than breaking down trade barriers, writes Jeremy Kahn.

But the 54-year-old former FBI agent is confident his law enforcement experience will serve him well as the second-in-command of the US motion picture industry's vocal and powerful export lobby.

Baker held increasingly important posts during his 26 years at the FBI, at one time overseeing a $750m budget and directing all of the agency's criminal investigations with the exception of counter-espionage. He also spent two years attempting to overhaul the public image of the CIA, oversaw the FBI's counter-terrorism operations during the Gulf War and received numerous distinguished service awards.

Retiring from the FBI in 1991, Baker was hired by Jack Valenti, the president of the US Motion Picture Association – whose colourful antics earned him the nickname "Happy Jack" – to head the anti-piracy division of its export lobby. Valenti, in his turn had checked him out: "William Webster [former FBI and CIA chief] told me he was probably the finest executive he ever encountered."

Valenti credits Baker with "totally reorganising" the anti-piracy division in the past three years and was therefore his "first choice" when looking for a replacement for Myron Karlin, who steps down as president of the export association after nine years.

Baker says his first goal will be "addressing the post-Gatt environment in the EU" and obtaining "a level playing field" for US films. At last year's Uruguay Round, members of the Gatt rejected US attempts to open French markets to more US films.

"I don't think [the Uruguay Round] closed any doors; it just failed to open the door solidly," Baker says. "We will work with every government within the EU to convince them to open their markets."

After Europe, Baker plans to turn to Asia, where video piracy and abuse of intellectual property rights are reported to be rampant.

Todo bom's hot line in Portugal

Luis Todo Bom's climb to the top of the Portuguese business world has earned him a reputation as a strong-willed administrator with a low tolerance for complacency, writes Peter Wise.

These qualities will be much in demand in his new post as president of Portugal Telecom, the country's largest company, measured by number of employees, which was created through last month's merger of three state-owned telecommunications utilities.

Todo Bom, 46, faces the task of forging these unwieldy companies with different cultures into an attractive competitive enterprise; next year up to 30 per cent of Portugal Telecom will be floated in the country's biggest ever privatisation.

He will not countenance resistance in his attempts to reshape the sector. Todo Bom is known for driving people hard. Former associates say his aggressive style means he is rarely challenged in the boardroom.

Like several other prominent Portuguese, Todo Bom, originally a chemical engineer, began his career at Sines, a state-run oil, industrial and port complex that has proved something of a white elephant. Very much a politician – he is now a vice-president of the governing centre-right Social Democratic party – by 1983 he had been appointed head of the Tourism Fund, which dispenses government grants.

Later, he served as junior industry minister from 1985 to 1987, and has since held a number of administrative posts in public-sector companies, and was appointed head of the now-extinct Telecom Portugal at the beginning of this year.

A R T S

OPENINGS

BAYREUTH

The festival opens tonight with "Parsifal", but the main interest this year is a new production of "The Ring", staged by Alfred Kirchner and conducted by James Levine. Its most controversial aspect may well turn out to be the designs of German illustrator Rosalie. John Tomlinson (right) returns as Wotan, and Wolfgang Schmidt is the new Siegfried. Last year's "Tristan und Isolde" is revived with Siegfried Jerusalem and Waltraud Meier.

ROYAL ALBERT HALL

Nobody would be more delighted than Ethel Smyth at the high profile women composers have been enjoying this year. Jailed as a suffragette and a larger-than-life personality (she once went golfing in her pyjamas in the Sudanese desert) Ethel Smyth defied convention and fought to achieve her musical ambitions. Next Sunday the BBC Proms present a concert performance of her most successful work, the opera "The Wreckers", first staged in Leipzig in 1906.

THE LYRIC

Josette Simon (right) takes the title role in Ibsen's "The Lady from the Sea". This role, played by actresses from Duse to Vanessa Redgrave, is one of Ibsen's most probing studies of femininity: a woman frigid within marriage, haunted by the terrifying claims of a past lover, unable to give herself to the husband she loves. The production comes to the Lyric, Hammersmith, from the West Yorkshire Playhouse.

SALZBURG

French theatre director Patrice Chereau rarely ventures into the opera house - but when he does, people take notice. That is what makes this summer's new production of "Don Giovanni" such an appetising prospect. Salzburg Festival's theatre programme continues to gather strength: Luca Ronconi's staging of Pirandello's "The Mountain Giants" opens the festival tonight, while Peter Stein directs Shakespeare's "Antony and Cleopatra".

THE SOUTH BANK

The Deep South comes to London this week when the South Bank Centre on the Thames is enlivened both inside and out by the Festival of the American South. Music takes pride of place with banjo greats like Ralph Stanley bringing mountain style Bluegrass and guitarist Robert Ward the sounds of New Orleans. David Rousseve (left) and the Reality Company provide dance backed with gospel singing, and there are plays from both black and Appalachian drama groups. All this and an Elvis Presley exhibition in the Festival Hall foyer, too.

Days of hope

Jackie Wullschlager on images of the post-war American dream

It was the best known photographic exhibition of all time. From 1955, when it opened at New York's Museum of Modern Art, through the 1960s, when it toured the world, more than 9m people saw Edward Steichen's show *The Family of Man.*

Its images shaped the consciousness of a generation: Eugene Smith's two children in "The Walk to Paradise Garden", Andreas Feininger's crowd scene on Fifth Avenue, Robert Doisneau's kissing couple in Paris. Its message of peace during the cold war drew unprecedented queues of visitors in the US, Berlin, Tokyo. When, two weeks before he died in 1963, John F. Kennedy made a legendary speech on the family of man, he used the term given popular currency by Steichen's show.

Now, in a bold and imaginative move, the exhibition has been recreated and set up in a permanent home at the centre of Europe. At Château de Clervaux, an airy castle near Steichen's birth place in Luxembourg, the monumental black and white prints are hung, as in 1955, around scenes which cross cultures and races.

Steichen described the 503 images culled from more than 10,000 photographs as "a mirror of the essential oneness of mankind throughout the world". His selection shows a passion for vivid human involvement: the excitement of a first glance, a pair of clenched hands, a sprawl of legs at a dance, a boy spearing an antelope.

Yet time has also proved his critical acumen, for every picture on the wall is a consummate work of art. Cartier-Bresson, Brassai, Bill Brandt, Diane Arbus – the names which moulded 20th-century photography are all here, making this show not just a historic reconstruction but the story of an art form.

Forty years on, it is the emotion and optimism of the pictures that catches you breathless as you walk into the opening sequence of lovers: in an English meadow, in an Italian wood beside an abandoned bicycle, as part of a New Guinea tribe, at a Louisiana dance hall. Crowd scenes pull you in – swanky faces from five tiers of the Paris Opéra, boastful children in a Brandt street scene.

Exquisite compositions such as Doisneau's picture of a policeman watching a woman watch a couple embrace by the Seine, ask you to join a circle of voyeurs. All pure sentiment and familiarity hold sway – witness Eugene Smith's children in a brightly lit garden, an image of hope and love so emotive that at a recent trial run of the exhibition in Tokyo, many visitors wept openly over it. Steichen captioned Smith's picture "a world to be born under your footsteps", and today it is a vision of the 1950s American dream that we respond to it. (It is no coincidence that the image made one of Ford's most successful motor car advertisements.) Like many works here, it is stamped with American icons – sports car, roller coaster, fast-food joint.

Ralph Crane's shot of six teenagers speeding down a tree-lined avenue in a 1940s convertible, Robert Frank's line of college girls devouring 20-cent hamburgers, breathe that mix of exhilaration and banality which was mid-century US life.

Cumulatively such pictures announce a faith in youth and progress, in New Deal prosperity and the pioneering American spirit.

The beginnings of teen culture, *Rock Around the Clock, Lolita, West Side Story,* were the family of man's contemporaries and Steichen, like Humbert Humbert and Old World emigrés in love with the New, was perfectly placed to celebrate the grandeur of young America. At the centre of his show, like an altar piece, he placed a giant Ansel Adams' California landscape. Surrounded by the bars and playgrounds on every day Main Street, it is a homage which recalls the vast journey from motel to motel that Humbert Humbert made across the country with Lolita.

These comparisons crystallise how this show has dated in the best possible way. For the family of man is not a general balanced view from five continents but an artistic expression fixed in time and place. Its images unfold like the grand scenes of history, and what gives them the lasting quality of myth is that, like Rembrandt's portraits of Flemish burghers or the Velasquez's Spanish nobles, they distil an inescapable sense of their age, and yet out of that precision emerges something universal.

All this is clear with hindsight, which also makes apparent what a splendid exercise in benign propaganda this exhibition must have been during the cold war.

Symbolically, its first stop in Europe was Berlin, where it was greeted with fervour by a public not long liberated from the blockade. Even a quintessentially German artist like August Sander seems in Steichen's persuasive American context denationalised; his "The Hod Carrier", an oppressed German worker resembles an entrepreneurial mid-westerner. In the same way, Brassai's famous duo the Members of Big Albert's Gang, plus d'Italie, here set among clean-living American teenyboppers, loses its Gallic menace and wit.

This exhibition will come increasingly to resemble a mid-century US export. A key prop is a ballot box stuck over with photos of individuals voting in Turkey, Japan, France; behind it a huge frame features a United Nations meeting. In the groups of families from around the world, it is now easy to detect a sense of US superiority – Talcott Parson's influential essay "The Normal American Family" appeared the year the exhibition opened.

Yet Steichen's images are large enough for this not to matter. In his last sequence, a screen showing elderly couples forms an entrance to a final room plastered with motifs of playing children.

Of course, traditional American family values are here – respectability, monogamy, the safe social order of grandparents and grandchildren. But this intimate section also invites us to place ourselves between youth and age, to ponder our own family, society. Each viewer will take from it something different – which is what makes this exhibition so rewarding.

The Family of Man, Châtean de Clervaux, Luxembourg. Tel:929656.

Benign propaganda? Four generations of an Ozark farming family, photographed in 1948 by Nina Leen: 'Traditional American family values are here.'

Recital

A legend in search of form

The celebrated German mezzo Brigitte Fassbaender is already something of a legend: since making her debut in the early 1960s, she has sung many of the great mezzo roles in the world's leading opera houses, and recently she has also turned her hand to directing opera.

She is admired on the concert platform and, as the reception she got at the Wigmore Hall last week shows, she has a devoted following.

Her artistry has always been highly individual, but in this recital her opening group of Mahler songs disclosed some worrying mannerisms. Fassbaender's instrument is perhaps not as flexible as it was, and hardens under pressure.

Of course, great interpretations are not made on sheer vocal beauty alone; but the occasional lapses of intonation would have mattered less had she brought a sense of life – vital in Mahler – and been less free with dynamics. The opening *Rheinlegendchen* had a Weillian, coarseness about it, and she missed the radiance of *Liebst du um Schönheit.* At least she captured the lonely desolation of another Rückert setting, *Ich bin der Weltabhanden gekommen.*

Indeed: her approach seemed wholly better suited to Aribert Reimann's stark *Eingedunkelt* cycle, written for Fassbaender and premiered by her last year, here receiving its first UK performance.

A setting of nine short impressions of Auschwitz by the poet Paul Celan (pseudonym of the Romanian Paul Antsohel, who lost both his parents in a concentration camp), the cycle succeeds as a powerful lament where the horror of its subject can defy description.

Eingedunkelt is set for a lone, unaccompanied voice and Fassbaender delivered the mournful, declamatory lines with incisive eloquence.

The second half of the programme brought a reminder of Fassbaender's diversity and was pure, unalloyed pleasure. In two early Berg songs, *Wo der Goldregen steht* and *Ferne Lider,* she found the sense of line missing from her Mahler, and allowed the beauty of her voice to come through. The programme lightened up with Milhaud's cheeky Trois chansons de négresse, Fassbaender caressing the lines like a *chanteuse* and her pianist, Wolfram Riegen (who had been excellent in Berg's four Op 2 Lieder) coming into his own with the swinging accompaniments.

Fassbaender put everything into her final group of Weill Songs, delivering such numbers as *Nannas Lied, Wie lange noch?* and *Berlin im Licht* with pungent vocal utterance. These seemed to say the most about Fassbaender's art today.

John Allison

INTERNATIONAL ARTS GUIDE

■ BERLIN

Crazy for You, the musical based on Gershwin's Girl Crazy, runs daily from tomorrow till Sun at the Schiller Theater (2548 9241)

■ COLOGNE

Alvin Ailey American Dance Theater opens a two-week season tomorrow at the Philharmonia (0221-2801)

■ FRANKFURT

● New York Harlem Theatre presents Gershwin's opera Porgy and Bess tonight, Wed, Thurs and Fri at Frankfurt Opera House (069-236061)

● The next jazz concert at Palmengarten is on Thurs, featuring the song and guitar duo Silvia Droste and Michael Sagmeister.

■ GENEVA

The city of Geneva organises a series of concerts throughout the summer, some of them free open-air events. The international music series at Théâtre de Verdure continues with a jazz/java evening on Wed featuring Marcel Azzola, Marc Fosset and Patrick Caratini Trio, followed by the Golden Gate Quartet (negro spirituals) on Fri and the Helston Jazz Band from England on Sun afternoon. The Monday jazz series at Cour de l'Hôtel de Ville continues with American tenor saxophonist Johnny Griffin tonight. The classical music series, also at Cour de l'Hôtel de Ville, has the Geneva Chamber Orchestra (Stravinsky, Strauss and Mozart) on Thurs, followed on Sat by an evening of chamber music with Andras Schiff and friends (022-786 5545/022-312 4353)

■ HAMBURG

● Maximilian Schell stars as Professor Higgins in My Fair Lady at the Deutsches Schauspielhaus, daily till Aug 7 (040-248713)

● Katharina Thalbach's production of Brecht's The Threepenny Opera, with music by Kurt Weill, runs from tomorrow till Sat at Thalia Theater (040-322666)

■ MUNICH

OPERA FESTIVAL

Tonight's performance is Le nozze di Figaro with Pamela Coburn, Alison Hagley, William Shimell and Alan Titus. Tomorrow, Fri: La traviata with Cheryl Studer, Francisco Araiza and Thomas Allen. Wed: Bavarian State Ballet in John Neumeier'a production of The Nutcracker. Thurs: Die Meistersinger von Nürnberg, with Bernd Weikl, Eike Wilm Schulte and Nancy Gustafson. Sat: Der Rosenkavalier with cast headed by Felicity Lott, Jeanne Piland, Barbara Bonney and Kurt Moll. The season ends on Sun with a final performance of Meistersinger (089-221316)

MUSIC

Gasteig Tonight: Lionel Hampton. Tomorrow: Vladimir Chernenko conducts St Petersburg Staatskapelle in works by Rakhmaninov and Tchaikovsky, with piano soloist Arkady Zenziper. Wed: Joshua Redman Quartet and Ron Carter Trio (089-8409 8614)
Bayerischer Hof Wed: Betty Carter. Thurs: Arturo Sandoval (089-299901)

THEATRE

Tha Kammerspiele has just unveiled a new production of Oleanna, David Mamet'a celebrated two-hander about political correctness and sexual harassment. Directed by Dieter Dorn, the play can be seen tomorrow and daily except Wed between Aug 1 and 14. This week'a repertory also includes Shakespeare's King Lear and The Tempest (089-2372 1328)

■ NEW YORK

THEATRE

● Three Tall Women: a moving, poetic play by Edward Albee, dominated by tha huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and delightful Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, Broadway at 76th St, 239 6200)

● Angels in America: Tony Kushner'a two-part epic conjures a vision of America at the edge of disaster. Part one is Millenium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200)

● Laughter on the 23rd Floor: Neil Simon'a 27th Broadway play, about a group of writers trying to come up with a new show, is one of his finest comic efforts. Directed by Jerry Zaks (Richard Rodgers, 226 West 46th St, 307 4100)

● Carousel: Nicholas Hytner'a bold, beautiful National Theatre production from London launches Rodgers and Hammerstein towards the 21st century (Vivian Beaumont, Lincoln Center, 239 6200)

● Tommy: a musical written and composed by Pete Townshend, based on tha 1969 rock opera by The Who, about a withdrawn young boy who becomes a Pinball Wizard (St James, 246 West 44th St, 239 6200)

● Kiss of the Spider Woman: Vanessa Williams has taken over Chita Rivera's starring role in the long-running Kander and Ebb musical directed by Harold Prince (Broadhurst, 235 West 44th St, 239 6200)

● Guys and Dolls: a top-notch revival of the timeless musical fable about tha gangsters, gamblers and good-time girls around Times Square (Martin Beck, 302 West 45th St, 239 6200)

● Crazy for You: the musical based on Gershwin'a Girl Crazy recently passed its second anniversary on Broadway. A highlight of this glitzy entertainment is Susan Stroman's choreography (Shubert, 225 West 44th St, 239 6200)

● Tony 'n' Tina's Wedding: a wedding at St John'a Church, 81 Christopher Street, followed by a reception at 147 Waverly Place, with Italian buffet, champagne and wedding cake (279 4200)

● Damn Yankees: the big musical hit of 1955 is back in its first Broadway revival, with Victor Garber as the Devil and Bebe Neuwirth as Lola. The director, Jack O'Brien, has extensively re-written the story, about a baseball fan who sells his soul to rescue his favourite team from a losing season (Marquis, Broadway at 45th St, 307 4100)

MUSIC

The Lincoln Center'a Mostly Mozart Festival runs daily except Sun till Aug 20. Tonight's chamber music recital is given by Joshua Bell, Christian Zacharias and Garrick Ohlsson. Armin Jordan conducts the Mostly Mozart Orchestra in Mozart and Haydn tomorrow and Wed. Tha programme on Thurs consists of three Mozart piano concertos, played by Hélène Grimaud, Robert Levin and Cecile Licad. Jordan conducts again on Fri and Sat, with pianist Menahem Pressler and cellist Ralph Kirshbaum (875 5030)

■ STUTTGART

LUDWIGSBURG FESTIVAL

Jessye Norman gives a song recital on Thurs. The next concerts are on Aug 6, when Philippe Entremont gives a piano recital and Christoph Eschenbach joins the Houston Chamber Players in music by Poulenc, Strauss and Brahms. Other forthcoming events include a concert featuring Mstislav Rostropovich as cello soloist on Aug 7, song recitals by Edith Wiens and Simon Estes on Aug 13, the Cleveland Orchestra under Christoph von Dohnanyi on Aug 25, tha Pittsburgh Symphony Orchestra under Lorin Maazel on Aug 28, and cellist Yo Yo Ma in recital on Sep 2 (07141-939810)

■ VIENNA

● The Roman ruin in tha park of Schönbrunn, the former residence of the Hapsburgs, provides an open-air venue for Vienna Kammeroper's summer productions. Le nozze di Figaro runs daily except Wed till Sat. Don Giovanni follows from August 9 to 27 (513 0851)

● Vienna'a summer concert series, Klangbogen Wien, runs till August 30 at various venues throughout the city. This week'a events include a Mozart and Stravinsky programme conducted by Yehudi Menuhin at the Konzerthaus tomorrow, a concert of Mozart arias at the Rathaus Arkadenhof on Thurs, and an opera concert with the Philharmonia Romania on Satat the Minoritenkirche (4000 8410)

● Films of legendary opera and concert performances conducted by Bernstein, Karajan and Böhm can be seen free of charge at Ratheusplatz each evening till the end of August.

ARTS GUIDE

Monday: Parforming arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals guide.
Thursday: Festivals guide.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channal: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Chennel: FT Reports 1230

FRIDAY
NBC/Super Channal: FT Reports 1230
Sky News: FT Reports 0230, 2030

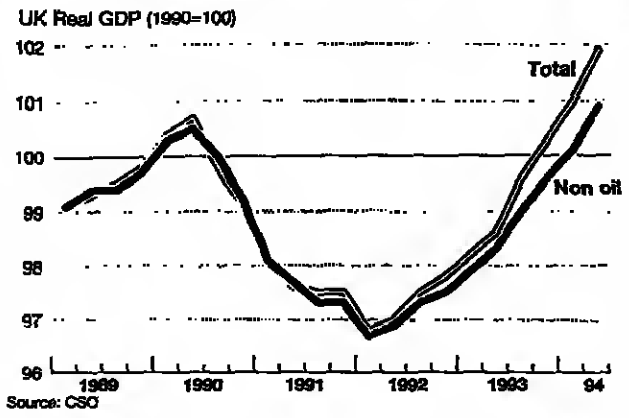
SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Samuel Brittan

The recovery is now near worldwide

There is now strong evidence that recovery is worldwide. It started in North America, where it has already reached the margins of safety, then spread to devaluing European countries and is now reaching hard-currency countries such as Germany and France.

UK output passes previous peak



Source: CSO

Japan is the most doubtful prospect; but even here there are signs that the economy is slowly adapting to the over-valued yen by domestic demand expansion and even more stringent cost-control by exporters.

The developing countries, which in previous cycles danced to the tune of the older industrial world, are now a sustaining force. They did not experience the last recession and are now growing at twice the rate of the countries of the Organisation for Economic Co-operation and Development.

Indeed, the OECD has revised its projections upwards for the first time since 1991. Oxford Economic Forecasting, in a more up-to-date comprehensive survey, has higher projections still. The surprise element has been the strength of continental Europe, especially Germany. While at the start of the year many analysts were expecting no growth at all in that country, OEF is now projecting all-German growth to be 2.2 per cent in 1994, rising to 2.9 per cent in 1995.

Forecasts are merely a way of articulating present indications; and OEF is very frank that its revised view is based on "glowing widespread survey evidence across the European continent", especially industrial confidence and production expectations.

The present business cycle has much in common with that of the 1980s. Each downturn has engendered a desperate belief that the world has entered a long-term depression phase; then there have been mutterings that recovery will not create new jobs; and finally concerns about inflationary overheating have re-emerged.

It is, of course, nonsense to disconnect output and jobs. Unless newly employed workers produce nothing or negative amounts the two must go together. Unemployment has fallen in the US and the UK, where output has been rising briskly; and the OECD expects it to level off in Europe as growth returns to trend.

In the Group of Seven countries, total demand in cash terms – measured by nominal gross domestic product – is now growing by about 5 per cent a year. Because of surplus capacity and associated competitive pressures, the inflation rate in these countries has fallen back to 2 per cent, leaving room for normal growth plus modest catch-up of about 3 per cent.

So long as nominal demand in the main countries grows at about 5 per cent a year, the world economy is largely self-correcting and unlikely to experience an inflationary take-off or a spiralling depression. Demand growth did, however, dip perilously low in the last recession. In 1993 it was only 4.1 per cent in the G7 countries, in Germany demand growth was 2¼ per cent and in France 1½ per cent. Sound money economists could perfectly reasonably warn about demand deficiency last year, as they did at a corresponding point in the 1980s.

At what stage does the risk flip over to being one of excess demand leading to renewed inflation? Eddie George, governor of the Bank of England, mentioned three contingencies in which interest rates might have to be raised at his June 8 meeting with Kenneth Clarke, the chancellor. The first was "if the pace of activity picked up more rapidly". The second was "if cost increases threatened the prospect for prices a year or two ahead". Third, and more implicitly, he might want to tighten policy if the growth of M0 did not decelerate in the coming months.

Nevertheless, the governor's standpoint could be guyed as saying: "Shoot it if it moves." The latest flash indicator for the second quarter does indeed show UK output rising fairly briskly – 2.7 per cent for non-oil GDP in the year up to the second quarter. (The North Sea oil sector is part of the economy, but it is so erratic that output trends are best measured without it.) Indeed, non-oil GDP has only just passed its 1990 peak. If capacity has been growing at a normal rate, this suggests that the margin of slack is now about 10 per cent – surely more than the safety level.

All the indicators the governor mentioned do, indeed, need to be monitored and many more. But some framework, such as nominal GDP, or nominal domestic expenditure, is required to put them together and provide appropriate weights. Otherwise, he will be playing into the hands of the bond-market commentators who want to resolve all doubts in favour of tightening policy.

From left, Horst Köhler of the German savings banks association; BZW's Peter Middleton; ING's Cees Maas; Michel Pébereau of BNP; Wüstenrot's Gert Haller

A look at life from both sides

FT writers on the trend for Europe's top financial staff to switch between public and private sectors

Mr Gert Haller, the swashbuckling 50-year-old state secretary at Germany's finance ministry, has been made an offer he could not refuse. Mr Haller, who acts as deputy to Mr Theo Waigel, the finance minister, in international monetary affairs, is leaving to join Wüstenrot, the privately owned German building society and banking group.

Mr Haller's departure, to take effect in January, will mark the second important switch at the ministry within 18 months. His predecessor, Mr Horst Köhler, who held the post since 1990, departed last summer, also aged 50, to become head of the German savings banks association.

The job changes in Bonn illustrate how, across Europe, frontiers are becoming more fluid between senior financial positions inside and out of government. International financial deregulation, fast growth of capital markets and sophistication of banking groups like Wüstenrot are increasing career opportunities beyond the public sector.

Since Mr Köhler took over at the German savings association last August, two other middle-ranking civil servants have joined him. "They find the work more interesting, of course," one Bonn official says. "Financially it has to make sense, but we are not talking about a 300 or 400 per cent pay rise. What seems to be most important is that the pensions are properly sorted out."

Germany is not the only country where higher private-sector salaries and more free-wheeling lifestyles exert a strong attraction when budgetary pressures are squeezing civil servants' pay.

In the Netherlands, where there is more traditional interplay between public- and private-sector financial jobs than in Germany, board members at Dutch banks can earn up to five times the annual wage of Fl 200,000 (£73,500) earned by top civil servants at the finance ministry.

And Sir Peter Middleton, permanent secretary at the UK Treasury between 1983 and 1991, is thought to have increased his salary of £96,210 between threefold and fivefold since becoming chairman of BZW, the investment banking arm of Barclays Bank.

Departures of European financial civil servants to senior positions in banks do not represent a new trend. But officials now seem willing to take up private-sector jobs at an earlier stage in their careers.

This may presage a shift to greater flexibility in employment between the government and business sectors, similar to the "revolving door" in the US where senior Washington functionaries traditionally rotate between government and non-government posts.

Mr Haller's departure from the Bonn finance ministry marks a welcome break from the general picture of "regrettable impermeability" between the public and private sectors in Germany, according to Mr Fritz von Gadow, an executive at the Düsseldorf office of Spencer, Stuart, the international personnel consultants.

He says Germany has too little US-type flexibility. "It's unfortunate that real life isn't represented in the ministries."

As for suggestions that Mr Haller would have been better advised by going to a higher-profile bank, Mr von Gadow says Wüstenrot is a respectable address. "They have their own bank and are in every sense a big financial services group."

Until now in Europe, regular switches between finance ministries and banks have been mostly confined to countries like France, with a tradition of state ownership in banking. Mr Marc Viénot, chairman of now-privatised Société Générale, Mr Michel Pébereau, chairman of similarly privatised Banque Nationale de Paris, and Mr Jean-Yves Haberer, former chairman of Paribas and Crédit Lyonnais, all held senior jobs in the French finance ministry.

After several years of privati-

'It's unfortunate that real life isn't represented in the ministries'

sation of banks and industrial companies in France, there are now signs that relationships between the public and private sectors are becoming much less cosy. Last week the Paris government announced it is phasing out the practice under which civil servants are allowed to retain indefinitely their ranking while working in the private sector.

In countries without large state-owned banks, moves between the helm of public and private sectors have been far less automatic than in France – but they now seem to be less exceptional. Mr Karl Otto Pöhl, president of the Bundesbank between 1980 and 1991, resigned at 61 to join the Cologne-based Sal Oppenheim banking group – the first Bundesbank chief not to go immediately into retirement on departure. Mr Pöhl's resignation was partly caused by divergences with the government over policies on German unification, but it also reflected his desire to increase his salary.

Another example of a sideways move comes from Portugal. Mr Manuel Pinho, 39, currently director-general of the Portuguese Treasury, will leave this summer and is expected to take up a job at a so far undisclosed private bank.

After working for the US bank Manufacturers Hanover, as well as Crédit Lyonnais, Mr Pinho moved to the Portuguese finance ministry to carry out a radical restructuring of Portugal's borrowing programme during the past two years. His spell in government will certainly stand him in considerable stead.

"When I ring someone in government I know they are going to take the call because they know who I am," says one Portuguese executive who spent a spell as the head of a civil service department before moving into private banking.

Another man with experience of life in both public and private sectors is Sir Douglas Wass, now 71, permanent secretary to the UK Treasury between 1974 and 1983. He holds three non-executive chairmanships – Equity & Law Life Assurance, Nomura International and the NCM credit insurance group – and is on the board of three international trade and insurance groups.

Sir Douglas warns that officials who move relatively early from public- to private-sector jobs have a greater chance of success. "The culture in government is one of risk aversion and propriety of decision taking. In the private sector it is risk orientated ... My own feeling is that a successful transfer after the age of 40 or 50 is rare. One becomes too engrained to become a successful entrepreneur."

Experience in the Netherlands underlines this argument. Mr Cees Maas, 47, formerly treasurer-general (the top civil servant) at the finance ministry, left in July 1992 to join the board of Internationale Nederlanden Groep (ING Group), the big Dutch financial services company. Mr Maas's predecessor, Mr Pieter Korteweg, who departed in 1986, aged 44, has since headed Robeco, the Rotterdam-based group of international investment funds.

Mr Dick Meys, now 51, was director-general for the budget, another senior job at the ministry, until the late 1970s. He is now a board member at ABN Amro, the Netherlands' biggest bank.

The present treasurer-general at the Dutch finance ministry, Mr Henk Brouwer, is himself 48. He came to the job after a long spell in the civil service followed by two years working for Philips, the big electronics group. If the trend towards an American-style "revolving door" picks up momentum in Europe, Mr Brouwer's job path may mark the shape of careers to come.

By David Marsh and Gillian Tett in London, Michael Lindemann in Bonn, Ronald van de Krol in Amsterdam, John Ridding in Paris, Peter Wise in Lisbon.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Steps to meet product safety obligations

From Mr Brian Bateman

Sir, Stephen Sidkin and Nigel Miller ("Stay Secure on Safety", July 19) rightly point to changes in the law on product safety which affect all in the supply chain. They stop short of advice on how to meet the new obligations imposed by the general product safety regulations, however.

The UK has an excellent record of product safety. Manufacturers have taken great care to meet and to exceed safety requirements. Part of the reason for this impressive record is our commitment to safety standards and to product marking showing that standards have been met.

The British Standards Institution (BSI), established by the engineering profession and industry, was the world's first national standards body. The BSI kitemark, well known to consumers, has been around since the 1920s and provides our independent assurance of a product's conformity with standards.

They point to the one defence under the legislation. A producer who took "all reasonable steps and exercised due diligence" could demonstrate his care to avoid the offence. The surest way for manufacturers is to:

- Have the products "type tested". This will tell whether the design is safe.
- Manufacture under a quality management system to ensure that specifications will be consistently met. This helps ensure that each individual product meets the same criteria as the original design. Such a system also involves the keeping of records which assist in answering questions which may arise.
- Ensure that the criteria for any legal marking requirements are satisfied.
- Consider using a product certification scheme, such as the kitemark to give purchasers confidence.

It is also essential for the future that the UK continues to make a full input to European and international standards. These will increasingly be used as benchmarks of best practice by the courts. Industry must make its views known on all relevant standards, through participation in BSI's work as the UK representative in European and international forums.

With the Local Authorities Co-ordinating Body for Food and Trading Standards, BSI is holding a conference in October on the role of standards in assuring product safety. I hope that many of your readers – and your contributors – will be interested in participating.

Brian Bateman,
director, product certification,
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2 Park Street,
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Sid could help Germany develop 'equity culture'

From E H Clausson

Sir, David Waller's report ("Resisting the bait of equity ownership", July 14) misses two points when he lists actions to overcome the lack of an "equity culture" in Germany.

First, the leading German banks must create incentives for young people to become involved in stock exchanges.

For decades these banks have erected ever higher barriers for young newcomers to these exciting markets. I imagine the bankers consider the short-term costs too high and they have failed to recognise their primary long-term responsibility. Without a broadly based participation, starting with the young, I cannot see an "equity culture" developing in Germany.

Second, several decades ago the German government created the *Volksaktie* when selling, for example, Volkswagen. If the government decides again to sell off state enterprises such as Lufthansa and Telekom, I hope it will look to the UK and learn from its series of successful privatisation programmes.

Sid could be very useful in helping the German government and banks to develop an "equity culture" in Germany.

E H Clausson,
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176 Leigham Court Road,
London SW16 2RF

Vocational training needs to perform a giant leap

From Mr Ken Ruddiman

Sir, Your article ("Staying on can mean missing out", July 20) gives a timely reminder to young people to take a long-term view of what they can do when they leave school at 16.

In a society which is biased towards the immediate, and with a government opposed to planning, there is little example to follow and the modern apprenticeship is seen by many as yet another small step for training when clearly a giant leap is called for.

The lack of demand you highlight is matched by surplus supply – technical colleges mothball or eliminate potential training provision in construction and engineering.

While the government vehemently denies a stop-go policy in the economy, you supply clear evidence of it in an area which is crucial to long-term consistent growth.

The twin-track approach does not work. We are not Germany. We do not have parity of esteem between the academic and vocational routes, and until we do we will always have an under-achieving, under-resourced, Division Two, which attracts few and is dismissed by many.

Ken Ruddiman,
principal,
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Individuals must meet the cost of a civilised society

From Mr A Allcock

Sir, David Parker eloquently puts the case for differential pricing within a privatised post office (Personal View, July 14). It is tempting to accept this argument, which is based on the demand for economic efficiency and correctly apportioned costs that are supposedly necessary in an unregulated, competitive market, and also on the inappropriateness of cross-subsidisation of one element of society – in this case rural dwellers – by another.

Even in highly competitive markets, however, it is often the case that pricing is not directly related to costs in a rigid sense.

Where a company wants to increase its market share it will undercut the competition, taking greater profits from areas where it is better established and more secure. This happens on a national and international basis and is cross-subsidisation of one element of society, or country, by another by business itself. To think that cross-subsidisation will cease on privatisation is wrong.

As to whether one element of society should cross-subsidise another anyway, this is just an extension of the increasingly popular the-individual-pays-for-what-he-consumes argument.

It appears economically efficient and fair. Taking this to extremes, however, encourages envy and creates division among members of society.

This is because it does not consider the duty that individuals must assume in the maintenance of society at a given level of civilisation as payment for the benefits that individuals derive from living in such a society – these too have a cost.

The attractive and obvious simplicity of the arguments advanced by economists like David Parker are contagious and increasingly common. But applying them unthinkingly to more and more services/products in isolation is dangerous.

The application of a wider cost/benefit analysis in an effort to measure how society at large benefits is the real challenge.

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FINANCIAL TIMES
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Monday July 25 1994

Flight plan for Air France

Mr Marcellino Oreja, Europe's transport commissioner, is expected to propose on Wednesday that Brussels approve a FFr20bn (£2.4bn) French government rescue of Air France, the loss-making state-owned carrier. The case is an important test of the EU's state aids policy and of its drive to liberalise air transport. If Mr Oreja's fellow commissioners are committed to those policies, they should scrutinise his proposal hard.

The decision matters because the planned bail-out is by far the largest yet in the European industry, and because Air France and Air Inter, its domestic affiliate, together have the biggest revenues of any European airline group. Furthermore, France'e reluctance to open Orly airport to competition suggests it is determined to continue protecting Air France – in violation of single market rules and of the EU integration Paris claims to favour.

If Brussels waved the rescue through, it would further blight prospects for fair competition in an industry already beset by excess capacity. For a company of Air France's size to receive subsidies in the amount proposed, and on terms not available to privately-owned rivals, would jeopardise more efficient and profitable carriers. British Airways is right to cry foul on that score – even if its own attitude to competition has not always been impeccable.

In judging the Air France case, the commission should ask three questions. The first is why any state aid should be permitted. Brussels' policy is to allow troubled carriers "one last chance" of aid before a total cut-off in 1997. But Air France has already had more last chances than most in the industry. Three state capital injections totalling almost FFr5bn since 1991 have failed to cure its problems.

Slimmed down

The second question is why Air France needs so much money. Lufthansa, Germany's state-owned airline, has recently slimmed down radically without taxpayer support. The opacity of Air France's published accounts makes it hard to be sure that any state aid will be used to finance restructuring, and not to cover operating losses. The commission should not entertain any proposal for government funding unless supported by detailed financial information and economic analysis of Air France's operations.

In any case, the company has plenty of saleable assets in the form of stakes in Air Inter and several other profitable airlines. Yet so far, it is proposing to dispose only of its hotel subsidiary. State aid on the scale proposed is unjustified when the company can raise cash by selling extensive non-core activities. By requiring it to do so, Brussels can reduce Air France's reliance on the public purse while enhancing opportunities for competition.

Forced disposal

The third question is what other conditions – if any – the Commission should attach to its decision. Air France'e rivals are pressing for such measures as restrictions on its fleet capacity and the forced disposal of unprofitable routes. However, imposing on companies purely operational decisions, which should be left to their managements, is one of the more objectionable features of EU state aids policy. Such interventions should not be necessary if subsidies are rigorously policed and markets work effectively.

The problem is that neither condition is easily fulfilled where state-owned industries are concerned. Not only are they protected by an implicit guarantee against bankruptcy; the lack of a market for their shares makes it unusually difficult to judge whether state aid is being granted on commercial terms. The right remedy is privatisation. Brussels should press for any state aid to be linked to a deadline for full privatisation of Air France.

Firmness is particularly important because of the French government's failure to tackle Air France's problems. One reason Brussels was given strong powers over competition policy was to put spine into irresolute governments. Decisive exercise of those powers will not only serve Air Franee's competitors; it will help the French economy by ending policies which have made the carrier an international advertisement for high costs, poor management, indifferent service and institutionalised inefficiency.

Too much to expect

Those who lament the short-termism of British industry will find plenty of supporting evidence in the CBI's survey on manufacturers' investment appraisal, published today. Despite an unusually sunny climate for investment, many UK companies are acting as if little has changed. The survey does point to serious flaws in many companies' criteria for making investments. But UK businessmen would be short-termist indeed if they were already betting their futures on the end of "boom and bust".

In spite of low inflation rates and the worldwide fall in the cost of capital, the CBI's study found that most of the companies surveyed had not lowered their required rates of return on new investments. Indeed, many still aim for nominal or real rates of over 20 per cent, or impose on projects a pay-back period of two to three years.

Findings such as these add plausibility to the oft-voiced concern that UK companies are missing a golden chance to invest in higher capacity. Nevertheless, a fair critique must distinguish between two different "failings". The first is using inefficient methods to decide on investments, an undesirable trait in any economic climate. The second is lacking faith in the government's triumphant long-term economic predictions.

Investment has been slower to pick up in the current recovery than in the early 1980s, while capital expenditure by manufacturing companies is expected to improve only modestly in 1994. Economy-wide, investment fell less as a proportion of national output during the recession than was true in previous downturns. For all that, the subdued state of capital outlays in manufacturing is a worry. Are high hurdle rates to blame?

Hurdle of choice

Interpreting the "required rates of return" which companies claim to employ is nearly as perilous as setting them in the first place. In the survey, the CBI makes a fair stab at determining each respondent's hurdle of choice: whether it is measured in real or nominal terms, for example, or before or after tax. Judged by the study's findings, many companies have been slow to respond to recent events, but a more striking feature of the responses is just how high many of the hurdles were to begin with. If both real and nominal required returns started at over 20 per cent for many companies, it would have taken large changes in inflation or the real cost of capital to make a significant dent.

Wide variation

The sheer magnitude of hurdles such as this, taken with the wide variation in tha companies' replies, indicates that something else is going on. A sizeable minority of companies surveyed is using rates very close to current estimates of the true, risk-adjusted, return on capital. These are likely to be companies with an established habit of closely relating their internal rate of return to current financial market conditions.

Those companies citing the much higher required rates of return may be trapped in inhospitable local credit markets. But they could also be using the rates to reflect a wider range of factors. A vaguely defined conception of the risk involved, for example, or to guard against over-optimism on the part of project planners. Obviously, these are legitimate issues to consider. But using the required rate of return ends up penalising long-term investments. If this is what lies behind some of the high hurdles, the companies concerned would be better off adopting other safeguards, which would treat projects with different time horizons more equitably.

Another explanation is that the penalty on investments which take longer to pay off is intentional. Accustomed to the ups and downs of the traditional UK business cycle, managers demand that new capacity pay off in two to three years because that is roughly how long they think it will be before things turn sour. Over time, greater macro-economic stability may change matters. On its own, a low inflation rate can have only a limited direct effect on required rates of return: none at all, if a real rate is used. There would be a much bigger impact if inflation were to remain stable over time, since that would imply fewer occasions for government to put on the brakes. By all accounts, companies have yet to see things so favourably. Given their long experience of the opposite, this is not surprising.

Louise Kehoe on how the US personal computer group has, unlike others, produced rapid profits growth

Compaq, but it's perfectly formed

Compaq Computer is "the company that seems to do everything right" competitors say with a touch of envy. While IBM, Apple Computer, Dell Computer and other personal computer manufacturers struggle to keep pace, Compaq goes from strength to strength.

Last week, the Houston, Texas, company reported record second-quarter sales of $2.5bn (£1.6bn), up 53 per cent from the same quarter last year. Net profits for the quarter were more than doubled to $210m, compared with $102m a year before. If sales continue to grow at this rate, Compaq will overtake Apple and IBM to become the world's largest personal computer company ahead of its 1996 target. In terms of numbers of computers sold, rather than revenues, the company is already outselling all rivals.

Similarly, in the market for PC "servers" – the computers used to boost the performance of office PC networks – Compaq has stolen a lead with an estimated $2bn share of the $5bn world market.

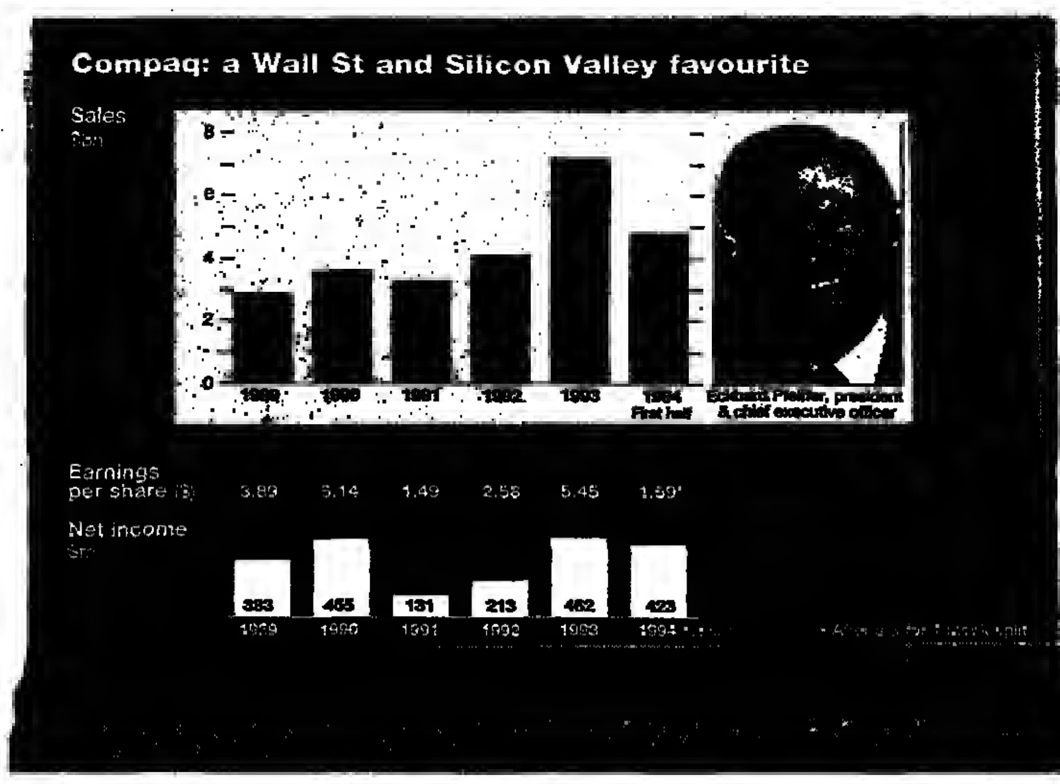
With higher gross margins than any other PC manufacturer and among the highest revenues per employee to the computer industry, Compaq is also a Wall Street favourite. The company's investors have seen the value of their shares soar over the past two years from about $20 to more than $90 (before a recent three for one stock split).

Compaq's performance is all the more remarkable because three years ago the company was in crisis. Market share was falling rapidly and profits languished as the company struggled in the face of fierce competition from smaller PC makers offering cheaper products.

In a move thet shocked even hard-bitten industry observers, Compaq's board of directors fired Mr Rod Canion, the company's popular founder, in 1991 and replaced him as chief executive with Mr Eckhard Pfeiffer, a German engineer who had built up Compaq's European operations.

Mr Pfeiffer has overhauled the company. As other large US computer companies struggle to adapt to rapidly changing technology and market conditions, Compaq's almost textbook turnaround could provide a model. "I know only one company to compare ourselves with and that is Compaq," says Mr Enrico Pesatori, a senior executive at Digital Equipment, the Massachusetts-based computer maker, who is responsible for restructuring the computer systems business.

"We can no longer characterise Compaq as just a PC company," he adds. "It is a company that has perfectly interpreted the new style of computing that is emerging, based on networks of PCs."



For those looking to learn from Compaq's return to vigorous, profitable growth, six main conditions for a turnaround emerge from its story:

● Swift action. Compaq reacted quickly when its financial performance declined in mid-1991. Within six months of the first signs of trouble, the company had redrawn its strategy to emphasise the importance of winning market share, realigned its management and begun restructuring its operations.

● Good corporate governance. These steps would probably not have been taken had it not been for pressure exerted on Compaq's management by its board of directors. Unlike many companies in the computer industry, Compaq's chairman is a non-executive director, rather than the chief executive and all other members of the board (except for the chief executive) are also drawn from outside the company.

This structure "allows the board to preserve its role of supervising management," says Mr Ben Rosen, Compaq chairman. "In good times it doesn't matter how the board is constituted. It is when there is a problem, a corporate issue, a strategic change or a management change that it is very useful to have a truly independent board."

● Cutting the right costs. While Compaq was initially forced to lay off workers, the company quickly refocused on improving its manufacturing efficiency. Over the two years ending December 1993 Compaq quadrupled its production volumes while adding only about 500 workers, bringing its total workforce to just over 10,500. "Our strategy was never just to cut costs," says Mr Daryl White, chief financial officer. The drastic cost reductions under way at some of the largest computer companies without much evidence of efforts to boost revenues "is very dangerous; they are on a downward spiral", he observes.

● Willingness to change. "The cleverest strategy is useless unless management has the willingness, the guts, to implement it," says Mr Gian Carlo Bisone, Compaq vice-president responsible for US marketing. "We had to change the mindset of the whole company from building the highest-performance products in the industry to building products that are well positioned to take advantage of the 'sweetspot' of the market at the right cost, so that we could price them aggressively."

● Becoming "customer focused": Compaq adopted this philosophy earlier than most and moved aggressively to make the changes needed for the term to be meaningful. "The key decision was to shift this company from being a product-centric company to becoming a customer-centric company," says Mr Bisone. Until 1991, for example, Compaq sold its products exclusively through independent computer dealers (chains such as Computer Land that dominated the PC market until the late 1980s).

Today, says Mr Bisone, "we sell computers wherever the customer wants to buy them. If they want to buy them in gas stations, that is where we will sell them". It has not come to that yet, but Compaq PCs are sold by mail and telephone, in department stores as well as through traditional dealers.

Another radical change for Compaq was to broaden its marketing operations. To be profitable at competitive prices, the company had to increase the volume of its sales. That meant addressing every segment of the market. "We have more than doubled the size of the potential market we go after," says Mr Pfeiffer.

● Set aggressive goals. From its drive to create cost-competitive products in 1992 to its current ambitions to take over market leadership, Mr Pfeiffer has always set "stretch" goals for Compaq.

Despite its impressive achievements, the history of the personal computer industry suggests that past success is no guarantee of future prosperity. The danger Compaq faces is that its fast rate of growth could mean a slip leading to a serious setback.

One of the toughest challenges the company faces is how to ensure it can meet unpredictable demand for its products. Last year, for example, its sales of servers were limited by parts supply problems.

In an attempt to overcome this problem, the company has encouraged its suppliers to collaborate on "just-in-time" delivery to its Houston factory. Parts are stored in a warehouse close to the plant, with some parts being delivered hourly.

To keep up its hectic pace of growth the company has this year begun expanding its manufacturing facilities at all three existing sites – in Texas, Scotland and Singapore – while also opening a factory in Brazil and an assembly plant in China. Simultaneously, Compaq is developing products that will take advantage of advances in multimedia and interactive television. On the corporate computing front it is improving the performance of its servers to challenge IBM and Digital.

Some observers worry that Compaq may be stretching itself too thinly. But it remains confident. "The best companies are those that have hit the wall and bounced back quickly," says Mr White. "The plank that hit us over the head in 1991 is still indelibly etched on our foreheads," adds Mr Rosen.

An economic hero for Tony Blair

MICHAEL PROWSE on AMERICA

I suspect Mr Tony Blair, the new leader of the British Labour Party, is keen to keep abreast of US economic ideas. His advisers regard the Clinton administration, for all its failings, as a valuable role model. My advice is to steer well clear of the US economic establishment: there is little or nothing he can learn from the Harvard/MIT-types now in charge in Washington. Intellectually, they have not progressed far from the naive interventionism of the 1960s; and they are recycling old ideas under the unimaginative rubric of "new Keynesian economics".

The kind of thinker from whom Mr Blair could gain important insights is Professor James Buchanan, the 1986 Nobel economics laureate, now at George Mason University near Washington DC. Mr Blair should not worry that Buchanan cites Hayek as an important influence and considers himself "fundamentally a libertarian". In the 1940s British Labour leaders had the courage to embrace the ideas of Keynes, who was hardly a socialist. Half a century later, Buchanan has much to teach social democrats who are struggling to come to terms with the market.

The aspect of Buchanan's thought that is likely to have greatest appeal for Mr Blair is his concept of "constitutional economics". Most economists analyse economic decisions within a pre-existing institutional framework: the subject is about "choice within constraints". Decades ahead of his colleagues Buchanan began to emphasise the broader framework: the "choice of constraints" as he puts it. Rather than trying to micro-manage economic decisions the government should focus on the rules under which the game is played. Better rules can conceivably improve prospects for everybody.

The importance of institutions is now better understood. It has, for example, become a cliché to argue that the Bretton Woods conference of 1944 helped promote global economic growth by creating a supportive framework of rules and institutions; 50 years on, politicians are beginning to grasp that a new institutional structure is required in today's quite different financial landscape.

But the ideas of constitutional economics can be applied more broadly. Take training. Rather than planning heavy-handed interventions, Mr Blair should formulate a "training constitution" – a stable set of rules and institutions, tailored to the 1990s, designed to help young people help themselves.

By Labour's undemanding standards, Mr Blair already seems sceptical of the public sector's ability to work economic miracles. Reading Buchanan might greatly enhance that scepticism. He is famous (or perhaps infamous) within the economics profession for having turned the tables on interventionists by arguing convincingly that "government failure" is a more serious threat than "market failure".

When Buchanan reached economic maturity in the 1950s, most of his colleagues were just discovering the concept of market failure. They thought they had scientifically proved that free markets achieve optimal outcomes only if the most demanding conditions are met, for example, that economic agents have perfect information and can make transactions costlessly. Since such conditions do not hold in the real world, markets necessarily "failed". Government thus had carte blanche to intervene.

Although endorsed by the profession's great intellects, it was a nonsensical argument. Markets fail only relative to idealised mathematical models that themselves have no foundation in reality. The practical question is whether there is a better alternative. Buchanan argued there usually is not, because bureaucrats and politicians are more likely to err than markets.

In one of many direct hits, he exposed the inconsistency of mainstream economists' assumptions about behaviour in the private and public domains. The orthodox view was that individuals in the private sector strive to maximise their "utility" or satisfaction but, once they cross the public sector's portals, instantly reinvent themselves as promoters of the public good.

Without denying the possibility of selfless action in either the public or private spheres, Buchanan deflated confidence in government by arguing that it was more plausible to assume that politicians and civil servants are typically self-serving. Like the rest of us, they care more about their own careers than the nation's welfare.

Buchanan supported this argument with an even more fundamental observation. Government is not a simple entity that can be entrusted to make rational decisions. Modern democratic government is instead a messy conglomerate of disparate interests. Building on work by Knut Wicksell, the great 19th-century Swedish economist, he argued that the appropriate boundaries of the state depend in large measure on arcane details such as voting rules and the structure of legislative assemblies.

Roughly speaking the nearer that voting rules approach unanimous consent, the greater the number of functions that can safely be entrusted to government. Under simple majority voting, the favoured approach today, government's scope should be sharply restrained, lest it trample on the rights of minorities.

Buchanan is not just a fountain of ideas; unlike many well-heeled Keynesians, he also has the credentials of an authentic Labour hero. Since his family could not afford an elite private college he attended Middle Tennessee State Teachers' College in Murfreesboro, paying his way by milking cows morning and night. The message for the less privileged: stop bleating, start working and you too may win a Nobel prize.

OBSERVER

Caracas chestnut

■ That old philosophical chestnut – does something exist if nobody sees it? – has been dusted off in Venezuela, where president Rafael Caldera's government last week suspended some constitutionally guaranteed freedoms.

Caldera has also imposed foreign currency exchange controls. To defeat any foreign currency black market, officials now may levy large fines and impose jail terms of up to eight years.

More entertainingly, the legislation says fines up to $5,800 may be imposed on any news medium which even *mentions* the activities of a Venezuelan currency black market or cites anything but official exchange rates.

So, not wanting to incur Caldera's wrath, let's set the record straight. You will currently get 170 Venezuelan bolivars for $1. Officially. Any other rates do not exist; even if the guy who offers them *looks* real.

Both barrels

■ Onward marches the UK nanny state, despite a government spiritually, if not actually, committed to minimising state interference.

The latest inroad comes from the Health and Safety Executive, with its first-ever guidance for gamekeepers; there are about 5,000 full-time gamekeepers in the UK, with an estimated 28,000 part-timers.

The HSE's missive drives home the message that, far from imbroglios of the type contemplated by D.H. Lawrence in *Lady Chatterley's Lover*, contemporary guardians of winged snacks face much greater hazards from faulty or damaged guns.

Another danger, of course, is carelessness during beating; something of a Lawrentian trope, after all.

Hard stuff

■ Democracy has its costs, as Russians are discovering. According to the Russian daily newspaper *Izvestia*, the typical Russian male now consumes more than 80 litres of vodka annually.

The latest figures, from 1992, indicate that alcohol consumption has returned to the levels of 1984, the bad old days before former Soviet president Mikhail Gorbachev launched his anti-booze drive.

More alarmingly, life expectancy for men has dropped from 65 years

– in 1987, at the peak of Gorbachev's crusade – to 59.

Anyone for lemonade?

Saintly work

■ Here's a nice little earner. The Foreign and Commonwealth Office has placed an ad to find a UK representative for St Helena, to be based in the UK.

The salary, about £20,000 annually, is not inordinate wealth, but perhaps appropriate to the task of representing an island measuring just 10 miles by five miles.

Apart from ensuring the Federal Bureau of Investigation properly conducts its analysis of Napoleon Bonaparte's nine hairs – the FBI has been searching for traces of arsenic in the remains of the island's most famous inhabitant – and overseeing the recent introduction of television for the 5,700 inhabitants, the job might not be thought onerous, especially given the steady decline of the island's flax industry.

Preference will be given to St Helenians, "but consideration will be given to any appropriately qualified non-islander" in possession of financial/commercial experience and "current knowledge of St Helenia" (sic).

Tee-off

■ Golf, the great uniter. At least that's how it might appear to Wang Jun, deputy director of the China Golf Association.

He's visited Taipei to meet leading Taiwanese golfers and hold talks on the joint development of golf courses in China. His host was Chen Chung-Kuang, head of Taiwan's golf association.

Coincidentally, Wang is a son of the late Chinese vice-president Wang Zhen, as well as president of China International Trust and Investment Corp, one of China's leading state conglomerates. Could have been an interesting chat at the 19th hole.

Out of flavour

■ By now the whole world knows that one of the more interesting chief executiveships is up for grabs. Ben and Jerry's, the US ice cream company founded by New Yorkers Ben Cohen and Jerry Greenfield, threw the field open – and has been swamped by more than 22,000 CVs.

But how much will the new boss get? Ben and Jerry's has abandoned its egalitarian policy of paying top executives no more than seven times lowest-paid employees, who get an estimated $20,000 annually, giving Ben and Jerry $140,000 under the old regime.

The company is now hoping to make it in Europe, starting with the UK. Trying to flog the banana-tasting Chunky Monkey to Wigan presumably warrants more than the peanut-flavoured cheque previously on offer.

Myopic

■ Tips from the New York Times on how to avoid motion sickness: "Look ahead at distant objects or the horizon, or at the road ahead if you are driving, or close your eyes."

FINANCIAL TIMES
Monday July 25 1994

Britain to press ahead with search for peace

Sinn Féin rejects UK proposals over Ulster

By Philip Stephens in London, and William Lewis and John McManus in Letterkenny

The UK government signalled last night that it would press ahead with a search for a deal between Ulster's constitutional parties after Sinn Féin dismissed the Downing Street declaration as inadequate.

The rejection by a Sinn Féin national delegate conference appeared to confirm the London government's view that Mr Gerry Adams, Sinn Féin's president, cannot persuade Irish Republican Army hardliners to call a cessation of violence.

Amid anger and disappointment in London, British officials made it clear that there was now no question of involving Sinn Féin in the talks aimed at establishing a new political settlement in Northern Ireland.

Mr John Major and Mr Albert Reynolds hope to produce in September e framework document for such a settlement.

Officials dismissed Sinn Féin's demand that the London and Dublin governments move further to "clarify" the Downing Street declaration by diluting the veto of the unionists in Ulster over constitutional change.

In its first formal response to the declaration, Sinn Féin described it as inadequate, but said that it would work to overcome the obstacles. It said the declaration was a "step in the peace process" but did "not deal adequately with some of the core issues and this is crucial".

Speaking last night at the delegate conference, called to approve the governing executive's response to the declaration, Mr Adams said Sinn Féin had "recommitted itself today to constructing this foundation, by building on the positive elements of the Downing Street declaration and by seeking to overcome the difficulties".

However, Mr Adams stopped far short of calling on the IRA to end its campaign of violence – thereby ending hopes that Sinn Féin would be able to take part in cross-party talks that the British and Irish governments hope will start this autumn.

The Downing Street declaration offered a place at the negotiating table to Sinn Féin if it formally and permanently renounced violence.

Ahead of the conference, held amid tight security in the border-town of Letterkenny in the Republic of Ireland, there had been growing optimism that the meeting would decide to call on the IRA to announce a summer cease fire. But Mr Adams said yesterday that the IRA would be making its own decision on the issue.

Sinn Féin listed 11 aspects of the Downing Street declaration about which it was unhappy, including the so-called unionist veto over any changes in Ulster's constitutional status.

Japan reaffirms support for S Korea in nuclear dispute

By John Burton in Seoul

Japan reaffirmed its close co-operation with South Korea on solving the North Korean nuclear dispute during a weekend meeting between the two countries' leaders in Seoul.

The visit by Mr Tomiichi Murayama, the new Japanese prime minister, was meant to calm worries in South Korea that his position as leader of the Japanese Social Democratic party, which has supported North Korea, would affect relations with Seoul.

He urged North Korea to abandon its nuclear programme and end its isolation.

Mr Murayama promised that Japan would not pursue diplomatic relations with North Korea until suspicions about its nuclear programme were removed. Tokyo would also consult Seoul on any negotiations it has with Pyongyang.

Senior members of Japan's former ruling Liberal Democratic party, the dominant partner in Mr Murayama's coalition government, bad preliminary discussions with North Korea abont diplomatic recognition before the talks were suspended in 1992.

Japan is willing to provide financial assistance for the supply of safe light-water nuclear reactors to North Korea once the nuclear issue is solved, Mr Murayama said.

The new Japanese government has offered to spend $1bn on programmes to improve ties with South Korea, as compensation for the forced recruitment of Korean women as military prostitutes during the second world war.

But South Korea appeared to be cautious about the proposal, indicating instead that it favoured direct payments by Japan to the women who had suffered.

President Kim Young-sam asked that Japan also takes measures to reduce Seoul's trade deficit with Tokyo, which is expected to increase to $10bn this year from $8.5bn in 1993 because of the strong yen.

South Korea depends heavily on Japan for supplies of industrial components and machinery. It wants Japanese component makers to establish production facilities in South Korea to reduce the deficit. Japanese companies appear reluctant to do so because of South Korea's high wage costs.

End to rate cuts in sight, says Bonn adviser

By Christopher Parkes in Frankfurt

The period of falling German interest rates is drawing to a close, according to one of the Bonn government's most senior independent advisers.

Prof Herbert Hax said on radio yesterday that the economy had improved so much that further cuts in short-term rates were unnecessary; the Bundesbank also had to be careful to protect its credibility. He added that the recent weakness of the dollar did not reflect real economic conditions in the US.

The Bundesbank last week appeared relaxed about recent rapid growth in the M3 money supply measure, saying the raw figures overstated the real case. However, Prof Hax, who is chairman of the government's council of economic advisers, said the inflationary danger from M3 expansion was too great. As long as money supply was not under control, the most markets could expect were quite small interest rate corrections, he said. "It is possible that we will have a further small reduction in tbe course of the winter. But I have the impression that we will soon arrive at the end of interest rate cuts."

Many private sector economists still believe the internationally important discount rate will be down from 4.5 per cent to 4 per cent by the end of the year, with more easing possible if inflation falls further in early 1995.

However, pressure from outside Germany for more cuts has eased, and the export-led economic recovery appears to be progressing smoothly. If these conditions continue, the Bundesbank could elect to extend the pause instituted after its unexpected mid-May reduction in the discount rate.

This cut was interpreted by many observers as an uncharacteristic gamble. A pause to allow closer analysis of any inflationary dangers in the M3 distortions could also serve to restore the bank's shaken credibility.

Opinions differ on the timing of possible changes, but action at the bank's next council meeting, due on August 18, is generally considered unlikely.

Any cut too close to the federal elections in mid-October might draw charges of political motivation since Mr Hans Tietmeyer, Bundesbank president, and Mr Johann Wilhelm Gaddum, his deputy, are close associates of Chancellor Helmut Kohl. However, relaxing rates after the elections might tempt trade union pay negotiators to put in inflationary demands in the 1995 pay round, due to start in November.

The Bundesbank has consistently warned that pay and public spending must be kept under tight control for several more years.

THE LEX COLUMN

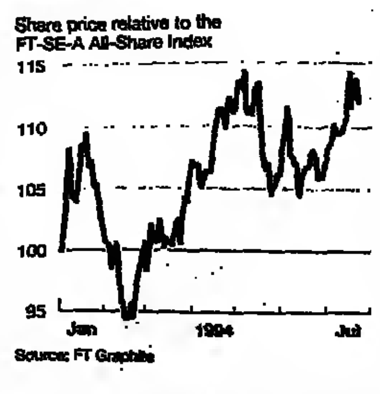
High voltage

The story that has been driving regional electricity company shares higher is largely one of dividend growth. Sure, the regulator Prof Stephen Littlechild will curb the companies' profits when he publishes his new price cap regime next month. But given that dividends are typically covered three times by earnings and balance sheets are debt free, the companies should have no problem delivering real dividend growth of 5 per cent or more.

There is little wrong with this story as far as it goes. The professor has already softened his proposed regime once in response to determined lobbying from the companies. The betting is that he will give further ground, following another round of lobbying over the past few weeks. The most likely scenario is that the companies, currently massive casb generators, will end up in cash-neutral or modestly casb-negative positions. Any treated more harshly than this should appeal to the Monopolies Commission. It would have a good chance of winning. Electricity distribution is such a low growth industry that it is unreasonable to expect the companies to become substantially cash-negative.

Whether they should react to a satisfactory regime by increasing real dividends at 5 per cent a year is another matter. Such a rate of increase would be not be in line with their ability to raise earnings. As a result, dividend cover would fall to two or less by the end of the century. Instead, they should be planning more aggressive moves to gear up their balance sheets than the small-scale share purchases so far envisaged. investors would do better if cash was paid out of the businesses now and dividends were then raised in line with earnings.

Bass



Source: FT Graphite

Telefónica

Telefónica will be parading the virtues of its international arm when it holds its pow-wow with GTE this week. The US telecoms operator is one of the candidates to take a stake in the Spanish gronp's Tisa subsidiary, which consists of shares in a collection of Latin American phone companies. AT&T and Unisource, an alliance of European operators of which Telefónica is a member, are also candidates.

Strategic considerations will be important in choosing partners. A link-up with GTE, which also has sizeable Latin American interests, would further Telefónica's vision of creating a continent-wide system. A combined entity would be better able to plan cross-border infrastructure and ensure that most lucrative international calls were channelled over its networks. Bringing in AT&T and/or Unisource could advance Telefónica's other objective of not being left on the edge of the big global alliances now hammered together by BT, AT&T and France Télécom/Deutsche Telekom. Given its multiplicity of objectives, the Spanisb group may try and sell stakes to all three foreign groups.

If debt-laden Telefónica can sell each a 10 per cent stake in Tisa for the $600m-$700m that is currently being bandied around, that would be quite a coup. Not only would Tisa gain sufficient funds to build out its franchises but Telefónica would also retain control.

German banks

Next month's launch of money market funds in Germany will not only raise questions about redefining the money supply but also promises to put pressure on the earnings of commercial banks which stand to lose cheap retail deposits to the new funds. The extent of the squeeze on margins is hard to gauge but it is unlikely to be as severe as that facing French banks when money market funds were launched there in the late 1980s. That was a period of high short-term interest rates, which made the funds particularly attractive to individuals who received very little reward on their bank deposits.

Still, there were large flows of German savings into Luxembourg last year when money market funds where permitted there. That suggests a reasonably high proportion of bank time deposits are footloose. The banks recovered many of tbese deposits when German tax rules were changed at the start of this year. The risk is that they will now lose them again to the money market funds.

Broker Fox-Pitt Kelton suggests that some 40 per cent of retail time deposits could move into money market funds over the next couple of years. Though the big banks would be able to offset some of the higher funding costs with commission income from managing the new funds, they would still experience a shortfall of some 4 per cent in net earnings. The natural response of larger banks would be to compensate by adding volume. They are well placed to take business away from regional institutions which will find it harder to establish money market funds of their own. The new funds could thus accelerate consolidation in the German banking industry as well as changing the way business is done.

Bass

It is only a straw in the wind at the moment but the pace of discounting in the UK beer trade seems to be abating. While the big brewers continnc to fight fiercely over the large national accounts, they have become less keen to offer wholesale discounts to their smaller customers. Such a development is only logical. It was clear from Bass's interim profits in May that discounting had failed to produce the required reward in terms of volume. Courage needs a more substantial strategy to cope with the looming expiry of supply contracts with Chef & Brewer and Inntrepreneur.

Coupled with the warm weather, which should do wonders for beer sales, that may explain the renewed outperformance of Bass'e shares over the past month. The equity market is in for a disappointment, though, if it is factoring in much of an increase in brewing margins. It is not just a question of excess capacity in the UK industry continuing to prevent much actual increase in beer prices. The supermarkets have shown that it is possible to import European lager and sell it – even duty-paid – at competitive prices. Against that background the level of domestic capacity use becomes less and less relevant.

Brand development thus remains a more convincing strategy than a price-based attempt to gain market share. In Carling and Tennent's, Bass has best-selling lagers. But Whitbread still appears to have the edge in focusing on brand value.

European job laws

Continued from Page 1

focusing on making it easier to share child-rearing duties.

● Greater convergence of social security systems.

The white paper will also discuss how to achieve a better combination of economic and social policy. Picking up on one of the themes of last year'e white paper on employment – inspired by Mr Jacques Delors, the outgoing Commission president – it will discuss how to strike a better balance between high labour standards and job creation.

Healthcare reform

Continued from Page 1

accepted that in tackling "the biggest social policy challenge this country has faced in 60 years" there would be "give and take and a lot of changes" as Congress moved towards a final resolntion. He said: "The one thing that can't change is universal coverage and that has to pass this year".

Mr Gephardt and Mr Mitchell refused to speculate on the details of their respective bills, beyond noting that they wonld inevitably reflect compromises between the various bills already approved by four congressional committees. Bnt Mr Gephardt agreed with Mr Gore it was "reasonable" to expect delays in introdncing so-called employer mandates, under which companies would pay for a substantial part of the insurance premiums of their workforces. He suggested a four to five-year lag before full implementation, while Mr Mitchell said emphasis on introduction by a given year would be "misplaced".

All three also ducked all questions on the favourite Washington pastime of the moment – determining what constitutes "universal" medical coverage.

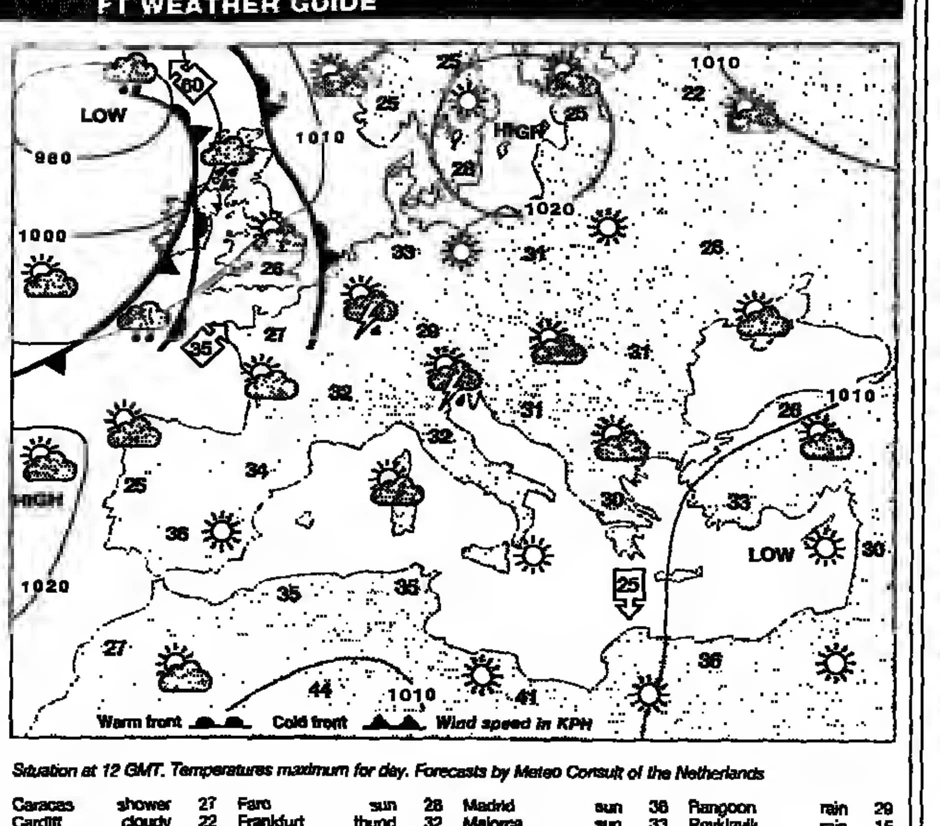
FT WEATHER GUIDE

Europe today

Most of Europe will stay hot. Only Ireland and Scotland will be cooler because of a nearby low pressure system. The front associated with the low will bring cloud and rain to Ireland. England will start the day with sunny periods and temperatures will rise to 22C-28C. A mass of very warm and moist air will be present over the Benelux, France, the Alps and southern Germany. There will be some cloud and thunder showers may develop during the afternoon and evening. The Mediterranean will have plenty of sun with the highest temperatures in Spain. Scandinavia will be sunny and warm although the far north will be cooler with some cloud.

Five-day forecast

The cooler air over the UK will push slowly towards the western parts of the continent. However, most areas will stay hot with thunder showers, especially in the western countries. Norway will become cooler and unsettled, but the rest of Scandinavia will remain dry and warm. The Mediterranean will be sunny and warm.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	37
Accra	shower	27
Algiers	sun	35
Amsterdam	fair	28
Athens	sun	32
Atlanta	fair	33
B. Aires	cloudy	12
B.ham	fair	25
Bangkok	shower	34
Barcelona	fair	28
Beijing	shower	31
Belfast	rain	18
Belgrade	shower	31
Berlin	sun	34
Bermuda	thund	30
Bogota	shower	18
Bombay	rain	29
Brussels	thund	31
Budapest	sun	33
C.hagen	sun	27
Cairo	sun	36
Cape Town	shower	14
Caracas	shower	27
Cardiff	cloudy	22
Casablanca	fair	26
Chicago	fair	26
Cologne	fair	32
Dakar	fair	29
Dallas	sun	39
Delhi	thund	34
Dubai	fair	39
Dublin	rain	20
Dubrovnik	sun	30
Edinburgh	fair	22
Faro	sun	28
Frankfurt	thund	32
Geneva	thund	29
Gibraltar	sun	30
Glasgow	fair	21
Hamburg	fair	32
Helsinki	fair	25
Hong Kong	thund	27
Honolulu	shower	32
Istanbul	fair	29
Jakarta	cloudy	31
Jersey	fair	20
Karachi	cloudy	33
Kuwait	sun	44
L. Angeles	fair	26
Las Palmas	sun	26
Lima	cloudy	19
Lisbon	fair	25
London	sun	28
Lux.bourg	fair	31
Lyon	fair	31
Madeira	fair	25
Madrid	sun	36
Majorca	sun	33
Malta	sun	32
Manchester	fair	24
Manila	shower	30
Melbourne	shower	14
Mexico City	shower	23
Miami	fair	33
Milan	fair	31
Montreal	shower	28
Moscow	fair	22
Munich	fair	30
Nairobi	fair	23
Naples	sun	31
Nassau	shower	31
New York	fair	32
Nice	fair	29
Nicosia	sun	37
Oslo	fair	28
Paris	fair	31
Perth	cloudy	18
Prague	sun	33
Rangoon	rain	29
Reykjavik	rain	15
Rio	cloudy	21
Rome	sun	31
S. Frsco	fair	21
Seoul	sun	39
Singapore	cloudy	32
Stockholm	sun	27
Strasbourg	thund	32
Sydney	shower	18
Tangier	fair	27
Tel Aviv	sun	32
Tokyo	fair	33
Toronto	shower	22
Vancouver	shower	19
Venice	shower	31
Vienna	sun	32
Warsaw	sun	31
Washington	fair	33
Wellington	rain	12
Winnipeg	fair	24
Zurich	shower	29

FINANCIAL TIMES

COMPANIES & MARKETS

Monday July 25 1994

MARKETS THIS WEEK

GERARD BAKER:
GLOBAL INVESTOR
In Japan bond prices had already been under pressure for most of the year as the market became caught up in global expectations of higher inflation. But now the fixed interest market is under attack from the supply side, as investors fear that the new coalition government is set to pump up a ballooning deficit. **Page 21**

PETER NORMAN:
ECONOMICS NOTEBOOK
If anybody deserves a prize for persistence, it is Michel Camdessus, managing director of the IMF. He has kept urging an issue of special drawing rights, the reserve asset created by the IMF. His hopes are high that he will win backing for an SDR issue at the IMF's annual meeting in October. **Page 21**

BONDS:
Just when it seemed safe for investors to wade back into the US Treasury market, Mr Alan Greenspan blew his warning whistle again. The menace is higher inflation. **Page 22**

EQUITIES:
A fresh tide of corporate results will sweep through Wall Street this week, but any positive impact is likely to be limited to a few individual stocks. Signs that the worst may be over for the dollar have invited investors in the UK market to celebrate growing evidence of strong and accelerating economic growth and subdued inflation. **Page 23**

EMERGING MARKETS:
Brazil's new currency, the *real*, could trigger a stock market surge. But while inflation is expected to fall, political uncertainties surrounding the October elections and an overvaluation of the new currency have so far prevented a large capital inflow. **Page 23**

CURRENCIES:
With the Bundesbank having set out its stall, attention will revert to US monetary policy, with the focus on second-quarter GDP due on Thursday. **Page 23**

COMMODITIES:
Tomorrow the Brazilian government will issue the first official assessment of the damage done to its coffee crop by the frosts of two and four weeks ago. **Page 21**

INTERNATIONAL COMPANIES:
Bankers Trust has seen a sharp fall in its income from selling derivatives to companies and others in recent months. The New York-based bank said profits from what it calls "client financial risk management" dropped to $50m in the three months to the end of June, down from $114m in the previous three months. **Page 19 19**

UK COMPANIES:
J Sainsbury is expected to join battle with rival Tesco this week by launching a counterbid for Wm Low, the Scottish supermarket group. **Page 18**

STATISTICS

US to take action on stock options

By Andrew Jack in London

US companies are almost certain to be forced to take the costs of stock options as a charge against profits within the next three years, under proposals being considered by the US Financial Accounting Standards Board.

Companies will also be required by the end of this year to provide substantial additional details on their use of financial derivatives such as swaps and currency hedging instruments, under a separate accounting standard due out in October.

The standard will require companies to disclose their accounting policies on derivatives, the quantitativs effects of these instruments and what they hope to achieve by their use.

Mr Dennis Beresford, chairman of the board, was confident a solution could be found to concerns about how to measure reliably the cost of options, the shares awarded to compensate senior executives. Options are widely seen as a form of remuneration which have a cost to shareholders.

Mr Beresford's determination comes in spite of protest from companies, Congress and accountancy firms that the proposals will impair financial performance.

Members of FASB are considering about 18 approaches to valuing options after their previous approach was attacked for allocating them too high a cost.

However, Mr Beresford said the techniques developed were no less accurate than those used for other uncertain areas in accounting which are already charged as costs, such as provisions for bad debts or valuation of obsolescent stock.

The revised FASB stock option proposals are unlikely to be circulated until the first quarter of next year and may still be delayed for further consultation.

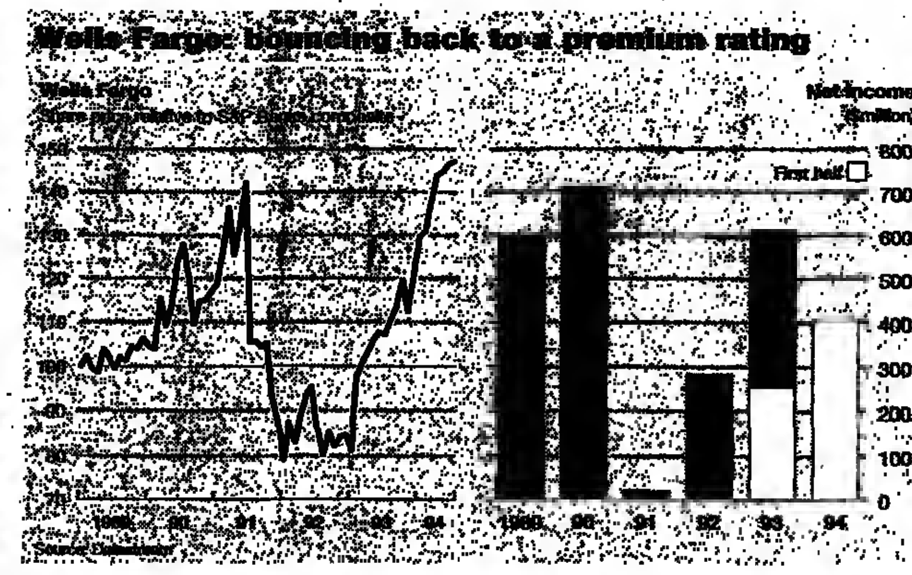
The original proposals allowed three years for additional disclosure before forcing companies to take the costs of the options as a charge. Mr Beresford said the revised plans might compress this intermediate period into two years, so that companies would still be required to show the cost of options in their profit and loss accounts for fiscal year-ends from 1997.

Derivatives have come under increasing scrutiny over the past few months following a series of occasions involving their mismanagement.

Bankers Trust, Page 19

Richard Waters reports on how Wells Fargo, the US bank, plans to sustain growth

Heir steps in to take the encore




Paul Hazen (left) will take over as chairman and chief executive when Carl Reichardt retires at the end of this year

Mr Carl Reichardt has decided to quit while he is ahead. The 63-year-old Texan heads what is generally regarded as one of the best-run big US commercial banks, with stock market ratings to match.

Driven by falling costs and expansion into mutual funds and other investment products, Wells Fargo's shares have jumped from under $15 when Mr Reichardt took over to more than $150. They are now trading at nearly 2.3 times the bank's book value, and a multiple of 10.5 times this year's projected earnings. The question now is, what can it do for an encore?

Mr Reichardt announced last Tuesday that he will retire at the end of this year, after 12 years as the bank's chairman and chief executive. The move clears the way for Mr Paul Hazen to take over. Currently the bank's president, 54-year-old Mr Hazen has already served as Mr Reichardt's number two for a decade.

Mr Reichardt and Mr Hazen flew to Philadelphia two weeks ago to break the news to Mr Warren Buffet, the US investor who is Wells Fargo's biggest shareholder. "He doesn't think people should retire – ever," Mr Reichardt said.

Mr Buffett's close interest in who is at the helm of the San Francisco-based bank is understandable. He bought 10 per cent of Wells Fargo's shares in 1990 for around $290m, and has since taken his stake to 12.6 per cent – a holding worth slightly more than $1bn. Mr Buffett last week declared himself "more than comfortable with the new leadership".

Mr Hazen indicated that he intended to continue with the formula that made his double-act with Mr Reichardt a success. "There's a lot of growth still in the basic businesses," he said. The next two to three years will be spent increasing Wells Fargo's market share with a number of products: he singles out car leasing, investment products and consumer lending.

He also talks of expanding Wells Fargo's commercial property lending again. Despite the market downturn at the end of the 1980s, "when you look at it over a whole cycle, returns were extraordinary", he says.

Heavy commercial property lending was nearly the death of Wells Fargo. Its $13bn of loans at the end of 1990, against shareholders' funds of $3.4bn, made it the most exposed big bank in the country to the property downturn (its share price halved, to around $40, in a matter of weeks during the summer of 1990).

Unlike many others, it did not rush to liquidate loans. Many of the assets recorded as non-performing today yield around 8.5 per cent in cash. "That's a hell of a non-performing portfolio."

According to Mr Reichardt, over the past six months Wells Fargo has begun "buying portfolios – we have been actively looking at troubled loans". Internal rates of return on these investments are in the range of 20-30 per cent, he says.

Meanwhile, Wells Fargo seems unlikely in the near future to take any of the radical steps being considered last year: a big bank merger, for example, or a move to give up its status as a bank holding company altogether.

Many US bank chairmen talk whimsically of dropping their bank charters: it would liberate them from the costs of the federal deposit and insurance fund and the equal lending provisions that, bankers claim, put them at a disadvantage to non-bank rivals. It also "gives the holding company greater flexibility in its activities, as well greater flexibility in who can own it", said Mr Hazen.

Wells Fargo got further than most in debating the issue. However, the alternative that it considered – becoming a savings and loan institution – would have brought its own limitations, principally in the form of a restriction on the bank's ability to make commercial loans. Despite this, the issue of whether to give up being a bank "is still one we might look at from time to time", Mr Hazen says.

Nor does Wells Fargo seem likely to become involved soon in a big takeover or merger. Mr Reichardt talks with regret of his failure to persuade First Interstate, the bank's Los Angeles-based neighbour, to agree to a merger last year.

He adds: "I think that from a theoretical standpoint, putting together two large branch systems like this... and being able to take out $400m-$500m expenses a year is a sensible business proposition."

With $54bn in assets against Wells Fargo's $52bn and an extensive branch system in the western US First Interstate would have provided a springboard for the bank to mount a stronger challenge to BankAmerica, the giant West Coast bank created by the merger with Security Pacific two years ago.

Jilted by First Interstate, Mr Reichardt now talks of spending the bank's money on buying its own shares instead. With a tier one capital ratio of 10.1 per cent, Wells Fargo is well endowed with capital.

The bank has just approved purchases of up to 10 per cent of its own shares (though it has set no timetable for the exercise) at a cost of around $800m at the current share price.

The buy-back programme will help to support the bank's earnings per share in the short term. But it does not answer the bigger question of how Wells Fargo can maintain the earnings growth that made Mr Reichardt, according to Forbes magazine, "Warren Buffett's favourite banker."

Standard Chartered submits to HK inquiry

By John Gapper in London and Simon Holberton in Hong Kong

Standard Chartered, the UK-based international banking group, is co-operating with an independent investigation in Hong Kong into alleged malpractice in its bullion dealing arm.

The bank is understood to be forwarding information from an internal inquiry into allegations of corruption and bribery to the Independent Commission Against Corruption, an independent anti-corruption body with police powers, in order to reassure banking regulators in the UK colony.

Standard said its investigation into allegations that employees of Mocatta, its bullion division, used false expenses claims to finance bribes for officials in Malaysia and the Philippines was continuing, although the Malaysian end had been completed.

"We are continuing our investigation, and keeping all the regulatory authorities involved informed on a regular basis," said the bank. The investigation would carry on for "as long as it takes" to sort out the issue.

Standard could not confirm the involvement of the anti-corruption commission, but it emphasised that it had started its inquiry after a review of controls within Mocatta.

Mr John McFarlane, the Standard Chartered director who has taken charge of Mocatta within a new division, said last week that the bank had told managers that it would not tolerate repetitions of similar behaviour.

The Mocatta allegations follow the bank's suspension from new issue activity in the colony until next April because of the involvement of its securities arm in share price support schemes in a series of company flotations.

The bank said last week that it had completed an inquiry in Malaysia into the disappearance of a $10,008 gold coin, which was given to a former Malaysian deputy finance minister as a "sample" and disappeared after he passed it on to a consultant. Mr Stephen Goh, the consultant, recompensed the bank after he mislaid the coin.

Standard said yesterday that it had delayed its planned secondary listings in Hong Kong and Singapore because of unfavourable market conditions.

It said the decision was not connected with the Mocatta investigation.

This week: Company news

US CARMAKERS

GM and Ford on the road to a turnround

Confirmation that the turnround of the big US carmakers is continuing is likely to come later this week, as General Motors and Ford report second-quarter figures. Chrysler unveiled strong results two weeks ago, adding to optimism about the outlook for its biggest rivals. Ford is expected to report a further big step in the return of its European operations to profit for 1994, after three years of losses. General Motors, meanwhile, continues to look to strong demand in the US and the restructuring of its North American operations to continue its turnround there.

DEUTSCHE BANK

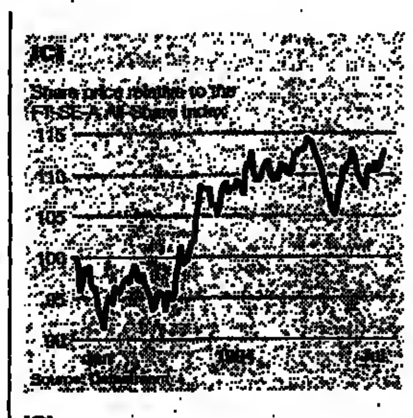
Kopper must restore tarnished image

Mr Hilmar Kopper, Deutsche Bank's irascible chairman, will be choosing his words carefully when he opens the German banking sector's half-year reporting season tomorrow.

Although he enjoys barking at the press, he has been advised that it is time to start refurbishing Deutsche Bank's public image after recent calamities, including the near collapse of Metallgesellschaft and the Schneider property affair.

While more mishaps cannot be ruled out as the German recession unwinds, and DM500m ($318.4m) has already been set aside to cover Schneider losses, the bank's recent statements that it expects 1994 provisioning for bad and doubtful debts to fall from last year's DM3.3bn appear confident enough.

Operating earnings profits after provisions were down 10 per cent after four months, but there is increasing confidence among investors and analysts that some ground will be made up by the year-end, even though last year's record DM5.3bn appears to be out of reach.



ICI

Brighter hue despite patchy paint finish

Imperial Chemical Industries, the UK's biggest chemicals group, reports second-quarter results on Thursday. Estimates range from £110m to £130m ($201.5m), against £96m for the same period last year. Most observers are bullish about prospects. ICI is benefiting from its exposure to the buoyant US and Asian markets, and the recovery in the UK. The only fly in the ointment is continental Europe, but US groups that have already reported second quarter results have noted some upturn in demand there.

The continuing improvement in demand will mainly help the industrial chemicals division and regional businesses. Prices for some of ICI's important products – such as PVC and PET – have been rising strongly in recent months. Brokers Kleinwort Benson expect the industrial division to post operating profits of £35m to £54m, with the regional businesses registering about £15m.

The only business that could report lower operating profits is the paint division. Brokers Kleinwort Benson are expecting flat results at £32m, but James Capel is predicting a fall year on year, because of a squeeze on prices in the UK decorative market. Raw material prices, essentially pigments, have also been rising, putting pressure on margins.

Most analysts expect the interim dividend to remain unchanged at 10.5p.

OTHER COMPANIES

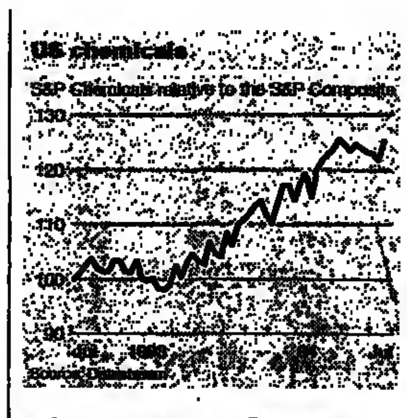
Digital set for a fourth year of woe

Digital Equipment is expected to report its fourth consecutive year of heavy losses tomorrow. The troubled US computer company has said that it will take a $1.2bn restructuring charge to axe 20,000 jobs over the next 12 months plus asset write-offs of $350m-$400m. Analysts also predict operating losses for the latest quarter of $100m or more. Digital may also detail further divestiture plans following last week's agreement to sell most of its data storage business to Quantum, a Silicon Valley disk-drive manufacturer.

■ **Norsk Hydro:** Norway's biggest quoted company, announces second-quarter figures today, with analysts expecting net income of around NKr700m ($101m). Although this is much lower than last year's NKr2.13bn, when a NKr1.8bn exceptional gain was included, the underlying performance will be up sharply due to rising oil, aluminium, fertiliser and petrochemical prices.

■ **Siemens:** The big German electronics and electrical group which earlier this month announced heavy lay-offs and forecast a decline in operating profits of up to 15 per cent for this year, is due to publish third-quarter results today.

■ **Du Pont and Dow Chemical:** The two chemical giants are expected to report advances in second-quarter profits this week, reflecting higher sales volumes in an improving economy. Last week, Monsanto and Arco Chemical topped most earnings predictions, thanks to the strength of demand from US car and housing markets. Du Pont is expected to report a rise in earnings per share from 79 cents to between $1.00-$1.10, while Dow Chemical should see a more modest rebound.



■ **Reuters Holdings:** The UK financial information and news group will emphasise its international and high-tech credentials on Wednesday by presenting interim results in New York. The meeting will be transmitted live by satellite to London, where analysts expect pre-tax profits of about £245m ($379.6m) for the six months to June 30, compared with £215m last time.

■ **Creditanstalt:** The Austrian bank is scheduled to report its half-year results on Friday amid growing uncertainty over the government's privatisation plans.

Companies in this issue

Sainsbury expected to bid for Wm Low

By David Wighton

J Sainsbury is expected to join battle with rival Tesco this week by launching a counter-bid for Wm Low, the Scottish supermarket group.

Sainsbury has been examining the detailed financial information on Wm Low it had requested and although it is thought that it has not yet made a final decision it is widely expected that it will top Tesco's 225p a share bid.

By the end of last week Low's shares had climbed to 265p as the City decided a move by Sainsbury was almost certain. The shares jumped 67p to 236p when Tesco launched its bid on July 14.

Rival supermarket chains also expect Sainsbury to overcome its historic aversion towards hostile takeover bids. "Sainsbury cannot afford to sit back and let Tesco steal a march on it in Scotland. There is only one Wm Low," said an adviser to one of its competitors.

Sainsbury itself would only say: "We are studying the information supplied by Wm Low and will make another announcement in due course."

Both Sainsbury and Tesco are keen to expand in Scotland where they have only 5 per cent and 7 per cent of the market respectively.

Wm Low has almost 7 per cent with its 45 outlets and has a further 12 stores in the north of England.

Sainsbury, which has only four outlets north of the border, has found it difficult to expand with planning rules making it hard to find green-field sites and competitors bidding up the price of available land.

Its most northerly distribution centre is outside Manchester and taking over Wm Low would give it a ready-made infrastructure.

However, less than half Wm Low's stores are thought to be appropriate for the Sainsbury format and the company is likely to be estimating the price it could get for the others.

Property Trust in £12m Chinese joint venture deal

By Andrew Taylor, Construction Correspondent

Property Trust, of which the Cheng family of Hong Kong holds a stake of more than 45 per cent, plans to acquire a one third interest in a property joint venture in Guangzhou, China, in a deal worth £12m.

The group plans to establish a new holding company in Bermuda which will take over the existing UK property portfolio as well as purchase the joint venture stake.

Shareholders are being asked to exchange one share in Property Trust for one new share in the Bermuda-based company, Property Trust Holdings.

The stake in the 182,000 sq m mixed development, Dong Xiao Garden Plaza, is to be acquired by the issue of B shares from Property Trust Holdings.

The net assets of the enlarged group following the acquisition are expected to amount to about £21.7m, according to Mr Anthony Cheng, chairman.

Property Trust's shares were suspended pending shareholder and court approval of the arrangements. The company also announced that pre-tax profits for the year to end-March had fallen from £626,000 to £450,000. It said the previous year's profits had benefited from property sales.

Hillsdown facing pensions probe

By Vanessa Houlder,

The Pensions Ombudsman is investigating complaints about the treatment of a group of pensioners by Hillsdown Holdings, the food manufacturer.

More than 40 former employees of FMC, a meat processing company acquired by Hillsdown in 1983, have voiced complaints that they were treated unfairly when a surplus from their pension fund was repaid to Hillsdown.

Hillsdown transferred the FMC scheme's assets, totalling about £35m, to another Hillsdown fund in 1989, which subsequently repaid £18.4m, predominantly from the FMC surplus, to Hillsdown over the next two years.

The pensioners say that Hillsdown was unfair in that it gave them minimal increases in their benefits, in return for the transfer of their scheme's assets.

They also argue that there may have been a breach of the FMC trust deed, which said that any surplus not retained should mainly be used to increase benefits.

Hillsdown says that it believes, on the strength of independent advice, that the transfer of the surplus was legal. It also says that it paid a suitable package of improved benefits to the scheme's members.

The complaints were initially investigated by the Occupational Pensions Advisory Services, which passed the matter to the Pensions Ombudsman last November.

The courts have the power to enforce decisions made by the Ombudsman, who is expected to reach a conclusion on the matter shortly.

Insurers plan rival to direct dealing

By Simon Davies

A group of independent insurance brokers is planning to fight back against the increasing dominance of direct dealers such as Direct Line, by setting up a cost efficient insurance company to take on their direct rivals.

The project has been launched by the Institute of Insurance Brokers, which represents about 1,100 members, generally small independent brokers, and will be giving a presentation to launch the new company in September.

Mr Andrew Paddick, the IIB's director general, said a leading team of industry specialists had already laid down the blueprint for the company and developed software designs, and it would be in a position to launch by June 1 next year.

The project is contingent on getting financial backing from brokers and possibly outside insurance companies to cover the set-up costs of "several million pounds" and the more substantial underwriting reserves.

In addition, it will have to fight concerns over independent insurance brokers selling through a captive company, which could be open to abuse.

However, there is no doubt that the brokers are under pressure to stem the tide of losses from one of their staple sources of business.

The new insurance company will have a minimal staff and no advertising fees since it will be marketed and sold by the brokers, who will be able to lock directly into the system.

Mr Paddick said it would be able to offer premiums which at least matched the direct insurers.

The direct insurers will hold the cost advantage of having no brokerage commissions, but this will be partly offset by their higher marketing and sales costs.

It will be a challenging fight. Direct Line was formed in 1985 but has already become the UK's largest insurer with 1.6m motor policies.

SE completes Warburg inquiry

By David Wighton

The Stock Exchange has completed a preliminary investigation into SG Warburg's handling of the purchase of Lasmo shares during the bid from Enterprise Oil.

In the final days of the bid Warburg spent £170m on behalf of Enterprise buying a 10 per cent stake in Lasmo from institutions.

The purchase, at a large premium to the current market price, brought complaints from other shareholders who said they were not given the chance to sell.

Swiss Bank Corporation complained to the Stock Exchange that it had a sell order placed with Warburg which was ignored when the purchases were carried out.

Warburg has argued that Swiss Bank did not have a valid buying order and that the dispute concerns a technical issue of little significance.

The Stock Exchange confirmed that the panel formed to look into the complaint had "reached a preliminary view which is now being discussed with the parties concerned".

The stock market raid was carried out in an unusual manner and caused great ill-feeling among those institutions not favoured. Some pointed to the fact that most of the institutions whose shares were bought accepted Enterprise's paper offer for the remainder of their holding.

It would be against the Takeover Code for a bidder to offer cash to some shareholders on the understanding they would subsequently accept the offer.

But some observers believe the fact that most of the favoured institutions accepted the bid shows only that Warburg misjudged the mood of institutions. It would have been more effective to buy shares off investors who planned to reject the offer.

Independent experts believe the Swiss Bank complaint concerns a "grey area" in the Stock Exchange's rules and question whether the outcome of the investigation will have much effect on Warburg's reputation.

St James Beach £1m placing

St James Beach Hotels, the operator of hotels in Barbados which came to the market in April, yesterday announced a share placing to raise £1.1m.

Some 900,000 shares have been placed with various institutions at 120p apiece; the shares were unchanged at 122p on Friday.

As foreshadowed in the annual results, proceeds will be used for the purchase and redevelopment of a 14,000 sq ft office and warehouse building to provide a new headquarters and a central storage and distribution facility.

Simon in £6.25m sale to Norway

Simon Engineering has sold most of the assets and liabilities of Simon-ERC, part of Simon Petroleum Technology, to a unit of Norway's Petroleum GEO-Services for an initial £5m cash, plus a further £1.25m deferred payment over the next three years.

In 1993 the business sold incurred a pre-tax loss of £4.1m on turnover of £5.3m.

It includes Tigress, a software package for oilfield appraisal and production studies.

Proceeds will be used to reduce Simon's debt.

Lazard plans to launch Indian trust

By Bethan Hutton

Lazard Brothers is planning to launch a London-listed Indian investment trust in alliance with the BK Birla industrial group and Creditcapital Finance Corporation, the Indian merchant bank in which Lazard has a 40 per cent stake.

The Lazard Birla fund will aim to raise about £100m from retail and institutional investors this autumn. The UK's first Indian investment trust, launched earlier this year by Fleming Investment Trust Management, attracted £84m.

BK Birla is one of India's largest industrial groups, and has interests in many sectors but has not previously been associated with fund management. Mr Adrian Collins, a Lazard director, said Birla's contribution to the fund would be advice based on its depth of knowledge of Indian companies, and understanding of the nature of business in India.

Investments will be made in a wide range of Indian equities, with a probable slight bias towards medium-sized and smaller companies.

A Lazard team has been working on the project for nine months, and believes it has now resolved the tax complications for foreigners investing in India, which has a favourable tax treaty only with Mauritius. Fleming's India fund developed a structure which invested via Mauritius.

Gowrings to buy Burger King outlets

Gowrings, the motor trading and leisure company, has agreed, through its Gowrings Food Services subsidiary, to buy seven Burger King franchises, excluding debtors and cash, from Grand Metropolitan for £3.3m cash.

The company also said it had entered a conditional option agreement with Central & Provincial Properties for the sale of most of the land at Newbury for £2.45m, and a further conditional option agreement for the sale of the rest of the Newbury site for £350,000. The site is currently occupied by Gowrings of Newbury.

Approval for both the acquisition and option agreements will be sought at an extraordinary meeting on August 5.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Exide Corp (US)	Tudor (Spain)	Batteries	£163m	Buying from Banesto
Matra Marconi Space (UK/France)	Unit of British Aerospace (UK)	Aerospace	£57m	BAe concentrating resources
Bayerische Landesbank (Germany)	Kulkereskedelmi Bank (Hungary)	Banking	£37m	Taking 25% in privatisation
Sime Darby (Malaysia)	Lec Refrigeration (UK)	Electric appliances	£21.7m	Agreed bid
FECI (Hong Kong)	Beverley Group (UK)	Engineering	£9m	Effective reverse takeover
Airtours (UK)	Binimar Holiday (Spain)	Leisure	£6.8m	Complex cash deal
Omni Insurance (US)	Unit of Skandia (Sweden)	Insurance	n/a	Another non-life disposal
Hagemeyer (Netherlands) Cosa Liebermann (Switzerland)	Joint Venture	Marketing & distribution	n/a	HK listing possible
Canal Plus (France)/ Bertelsmann (Germany)	Joint Venture	Broadcasting	n/a	Pay TV venture
Saint-Louis (France)	General Azucarera (Spain)	Food	n/a	Stake-doubling talks

Up to £130,000,000
Holdings of 1992 (UK) Limited
formerly Hafnia Holdings (UK) Limited
Floating Rate Notes due 2000
£85,000,000 of which are being issued as the Initial Tranche

For the period from July 21, 1994 to October 21, 1994 the Notes will carry an interest rate of 5.65323% per annum with an interest amount of £14,248.99 per £1,000,000 Note.
The relevant interest payment date will be October 21, 1994.

Agent Bank:
BANQUE PARIBAS

U.S. $100,000,000
MARINE MIDLAND BANKS, INC.
Floating Rate Subordinated Capital Notes due 1999

For the three months 25th July, 1994 to 25th October, 1994 the Notes will carry an Interest Rate of 5¾ per cent. per annum with a Coupon amount of U.S. $29.37 per U.S. $10,000. Interest payment date 25th October, 1994.

HSBC Investment Banking Limited
Interest Determination Agent

COMPANY NOTICES

REPAP ENTERPRISES INC.
US £200,000,000 FLOATING RATE NOTES DUE 1997

For the period 19th July 1994 to 19th October 1994 the Notes will carry an interest rate of 7.6875% per annum.

(US$ 3386.94 per US$ 250,000).

Agent Bank
Barclays Bank PLC
BGSS Depository Services
168 Fenchurch Street
London EC3P 3HP

Templeton

Templeton Global Strategy Sicav
Registered office: Centre Neuberg, 30, Grand-rue, L-1660 Luxembourg
R.C. Luxembourg B-35.117

Notice

Shareholders are hereby informed that the extraordinary general meeting of shareholders held on 22nd July 1994 has decided (i) to merge Templeton Indonesia Fund into Templeton Far East Fund (ii) to merge Developing Growth Stock Fund into Templeton Smaller Companies Fund and (iii) to introduce Class A and Class B shares distinguished by their commission structure. In addition, the name of the sub-fund Templeton American Fund is changed to Templeton Pan-American Fund.

All existing bearer shares will be designated as Class A shares.

No bearer shares will be available from 1st August 1994 in Templeton Haven Fund Class A nor issued in Templeton U.S. Government Fund Class A, Templeton U.S. Dollar Liquid Reserve Fund Class A and Templeton Deutsche Mark Liquid Reserve Fund Class A. Only registered shares will be available in Templeton Haven Fund Class A, Templeton U.S. Government Fund Class A, Templeton U.S. Dollar Liquid Reserve Fund Class A and Templeton Deutsche Mark Liquid Reserve Fund Class A.

The names of the sub-funds which offer bearer shares are as follows:

Templeton Global Growth Fund Class A
Templeton Deutsche Mark Global Growth Fund Class A
Templeton Smaller Companies Fund Class A
Templeton Global Infrastructure and Communications Fund Class A (from September 1)
Templeton Pan-American Fund Class A
Templeton European Fund Class A
Templeton Far East Fund Class A
Templeton China Gateway Fund Class A (from September 1)
Templeton Emerging Markets Fund Class A
Templeton Global Utilities Fund Class A
Templeton Global Convertible Fund Class A
Templeton Global Balanced Fund Class A
Templeton Global Income Fund Class A
Templeton Deutsche Mark Global Bond Fund Class A
Templeton Yen Global Bond Fund Class A
Templeton Emerging Markets Fixed Income Fund Class A

On 1st August, 1994 (i) shares in bearer form in Templeton Indonesia Fund and Developing Growth Stock Fund will be exchanged for shares in bearer form in Templeton Far East Fund Class A and Templeton Smaller Companies Fund Class A (The exchanges will be dealt on the basis of the net asset value per share of the relevant classes calculated on that day); (ii) shares in bearer form in Templeton Haven Fund Class A will be exchanged for shares in registered form and (iii) shares in bearer form in Templeton American Fund will be exchanged for shares in bearer form in Templeton Pan-American Fund Class A.

From 1st August 1994, the shareholders are invited to present their old bearer certificates to the Banque Internationale à Luxembourg, 69 route d'Esch, L-2953 Luxembourg for exchange against new Class A certificates.

After 1st September 1994 only the new share certificates will be of good delivery on the Luxembourg Stock Exchange.

The Board of Directors

NOTICE OF PARTIAL REDEMPTION
Sanwa International Finance Ltd
ECU 40mm 9% Guaranteed Notes due 1995

NOTICE IS HEREBY GIVEN THAT pursuant to paragraph 4(b) of the terms and conditions of the above mentioned notes, Citibank, N.A., as Principal Paying Agent has selected by lot for Redemption on August 23rd 1994, ECU 4,000,000 principal amount thereof. Outstanding Notes bearing serial numbers ending in any of the following 2 digits have been selected for redemption.

All Bonds ending in the following two digits:-

12	34	38	40	43	54	63	68	69	74
82	93	98							

Also Bonds bearing the following serial numbers:-

107	149	207	249	307	349	449	549	849	748
849	949	1049	1149	1249	1307	1349	1449	1548	1607
1649	1749	1849	1949	2007	2049	2207	2249	2349	2449
2507	2549	2607	2649	2749	2849	2949	3048	3149	3249
3449	3507	3649	3749	3849	4149	4949	5007	5049	5149
5249	5307	5507	5549	5607	5749	5849	5949	6049	6107
6148	6249	6349	6749	6849	6949	7049	7149	7249	7349
7407	7449	7549	7648	7749	7849	7949	8049	8149	8249
8349	8407	8449	8549	8607	8649	8749	8848	8949	9049
9149	9249	9349	9449	9549	9607	9649	9707	9749	9849
9907	9949	10049	10149	10249	10349	10449	10549	10649	10749
10807	10849	10949	11049	11149	11249	11307	11349	11449	11549
11649	11749	11849	11907	11949	12049	12149	12207	12249	12349
12449	12549	12649	12749	12849	12949	13049	13149	13249	13307
13349	13449	13549	13648	13749	13849	13907	13949	14049	14107
14149	14249	14349	14449	14549	14607	14649	14749	14849	14949
15049	15149	15249	15349	15449	15507	15549	15607	15649	15749
15807	15849	15949	16007	16049	16149	16249	16307	16349	16449
16507	16549	16649	16749	16807	16849	16907	16949	17007	17049
17149	17249	17349	17407	17449	19749	19849	27907	27949	28007
28049	28107	28149	28207	28249	28349	28449	28549	28649	28749
28849	28949	29049	29149	29249	29349	29449	29549	29607	29649
29749	29849	29907	29949	30007	30049	30149	30207	30249	30349
30407	30449	30549	30649	30749	30849	30907	30949	31007	31049
31107	31149	31207	31249	31307	31349	31449	31549	31649	31749
31807	31849	31949	32007	32049	32149	32249	32349	32449	32549
32607	32649	32749	32849	32949	33049	33107	33149	33249	33349
33407	33449	33549	33649	33707	33749	33807	33849	33949	34049
34149	34249	34349	34449	34507	34549	34649	34707	34749	34849
34949	35049	35149	35249	35349	35449	35549	35649	35749	35849
35949	36007	36049	36149	36249	36307	36349	36449	36507	36549
36649	36749	36849	36949	37049	37149	37249	37307	37349	37449
37507	37549	37649	37707	37749	37849	37907	37949	38049	38149
38207	38249	38349	38449	38549	38649	38707	38749	38807	38849
38949	39007	39049	39149	39207	39249	39349	39449	39549	39649
39749	39807	39849	39949						

Payment will be made upon the surrender of the notes, together with all coupons maturing after the date fixed for redemption at the offices of any of the Paying Agents as shown on the Notes on or after August 23rd 1994. Interest on the Notes will cease to accrue and unmatured coupons will become void.

Outstanding after August 23rd 1994 ECU 24,000,000.

July 25, 1994 London
By: Citibank, N.A. (Issuer Services)
London, Principal Paying Agent

CITIBANK

WOOLWICH
- Building Society -

ECU 150,000,000
Floating rate notes due 1996

Notice is hereby given that the notes will bear interest at 6.025% per annum from 25 July 1994 to 25 October 1994. Interest payable on 25 October 1994 will amount to ECU153.97 per ECU10,000 and ECU1,539.72 per ECU100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

TSB Hill Samuel Bank Holding Company plc
(Formerly Hill Samuel Group plc)

US$100,000,000 Class A Floating rate notes 2016

For the period from 25 July 1994 to 25 January 1995 the notes will carry a rate of interest of 5.625% per annum. Interest payable on 25 January 1995 will amount to US$287.50 per US$10,000 note and US$7,187.50 per US$250,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

NOTICE OF REDEMPTION

MORTGAGE SECURITIES (NO.3) PLC
£117,000,000 Multi-Class Mortgage Backed Floating Rate Notes due 2035

Notice is hereby given that, pursuant to Condition 5(e) of the Notes, the Issuer shall redeem:

£7,400.00 per Class A1 Note
£0.00 per Class A2 Note
£0.00 per Class A3 Note

on the next Interest Payment Date, being July 29, 1994.

MORTGAGE SECURITIES (NO.3) PLC

Dated: July 25, 1994

SUNKYONG INDUSTRIES LIMITED
US $ 50,000,000
FLOATING RATE NOTES DUE 1998

(Redeemable at the option of Noteholders in April 1996 and April 1997 and at the option of the Issuer on any interest payment date falling in or after April 1996)

In accordance with the provisions of the Notes, notice is hereby given as follows:

* Interest period:	July 21st, 1994 to October 21st, 1994
* Interest payment date:	October 21st, 1994
* Interest rate:	5.125% per annum
* Coupon amount:	US $ 3,274.31 per note of US $ 250,000

Agent Bank
BANQUE INTERNATIONALE A LUXEMBOURG

COMPANIES AND FINANCE

Weak quarter for Bankers Trust

By Richard Waters in New York

Bankers Trust has seen a sharp fall in its income from selling derivatives to companies and others in recent months, in the wake of losses reported by some of its customers.

The bank, which has been the leader in using derivatives to devise risk-management products for companies and investors, attracted considerable adverse publicity when Procter & Gamble said it had lost $157m on financial instruments bought from the bank. The company added at the time that it was considering suing Bankers Trust over the loss.

The New York-based bank said profits from what it calls "client financial risk management" dropped to $50m in the three months to the end of June, down from $114m in the previous three months, as revenues in the area fell by a third. During 1993, profits averaged $84m a quarter.

Mr Tim Yates, chief financial officer, said the bank believed its share of the risk-management business had remained stable during the period. The decline reflected an overall fall-off in the use of derivatives, particularly more complex instruments which carry higher profit margins.

Meanwhile, Bankers Trust failed to record the sort of rebound in profits from trading in financial markets that many analysts had expected.

During the first three months of the year, it earned revenues of only $14m from trading, and reported a loss in the area of $49m.

In the second quarter, revenues rose to $124m, while profits reached $52m – still well behind the $405m revenues of a year before.

The bank added that a significant part of the trading profits in the latest quarter stemmed from the recent Brazilian debt restructuring and its holdings of Brazilian bonds.

Mr Yates declined to disclose how much Bankers Trust had earned from this single event, or even whether it would have showed a trading profit without the Brazilian debt restructuring.

Bankers Trust blamed the weak trading figures – which echoed trading figures published by other US banks in recent days – on poor conditions in the financial markets. "Pure proprietary trading, while it has improved from the first quarter, is still in a difficult environment," Mr Yates said.

Overall, the bank's after-tax profits for the second quarter fell by 28 per cent to $181m, or $2.09 a share, from $251m, or $2.90, the year before.

Half-year net income was $345m, or $3.99, compared with $481m, or $5.54, in the first six months of 1993.

Fund charge puts PaineWebber in red

By Patrick Harverson in New York

PaineWebber incurred e net loss of $25.1m in the second quarter of 1994 after the US securities firm was forced to take a charge to cover the injection of $34m into one of its mutual funds to repay investors for losses on mortgage-backed securities.

Last week, two executives at PaineWebber involved in the management of the troubled $1bn short-term government bond fund resigned over the matter, and the firm brought in an outside money management group, Pacific Investment Management, to act as a consultant in the running of the fund.

Even without the cost of the fund bail-out, the second quarter was a difficult period for the firm, with pre-charge earnings of $9.1m falling well short of the $59.3m reported for the same quarter a year ago.

The sharp drop in earnings during the quarter came against the background of a 15.7 per cent decline in revenues to $579m.

Revennes fell because demand for PaineWebber'e broking services from retail and institutional customers and for its underwriting services from companies and municipal authorities were either flat or snbstantially lower compared with the same quarter of 1993.

Also, the firm earned considerably lese in the period ($91.7m against $181.9m a year earlier) from the trading of its own capital on US and foreign securities markets.

In this respect, PaineWebber was no different than other big Wall Street firms, which all saw their revenues and profits fall in the second quarter because of the slowdown in the once-booming securities industry.

Chairman of Lac Minerals steps down

By Bernard Simon in Toronto

A shareholder revolt has forced Mr Peter Allen to step down as chairman and chief executive of Lac Minerals, the Canadian gold and base metals producer which ie in the throes of fighting a hostile takeover bid.

Mr Allen had become a lightning rod for shareholders' dissatisfaction since Royal Oak Mines, a much smaller but more aggressive Vancouver gold producer, came forward with a C$1.4bn (US$1.01bn) takeover offer this month.

The rationale behind Royal Oak's bid was that Lac, which has mines in Canada, the US and Chile, was not realising its full potential under existing management.

Mr Allen's departure throws another obstacle in front of Royal Oak, whose bid, consisting largely of its own shares, was already considered a long shot.

Lac shares are expected to rise sharply on the Toronto stock exchange today. They climbed by 37 cents to C$13.38 on Friday before Mr Allen's resignation was announced.

The shares are widely held, mainly by US and Canadian institutions. Many have made their displeasure with management known in recent weeks by tentatively tendering their shares to Royal Oak.

Mr Allen, aged 54, said: "I have listened very carefully to Lac's shareholders and their concerns about management. I am not prepared to let personalities define this takeover fight and distract from the fundamental economic issues at stake."

Mr Jim Pitblado, a non-executive director and former head of Canada's biggest securities firm, will take over as Lac chairman and acting chief executive officer.

Mr Pitblado said the board would prefer Lac to remain an independent, widaly-traded Canadian company. He plans to present that case to shareholders this week.

However, he said the board would keep its options open should another bid materialise.

Foreign exchange losses limit increase at Telmex

By Damian Fraser in Mexico City

Teléfonos de México, Mexico's largest private company, reported net profits of 4.39bn pesos ($1.29bn) for the first half of 1994, a reduction in real terms of 0.7 per cent over the same period last year.

Talmex profits were adversely affected by the rise in interest rates and weaknees of the peso, which caused the company to report losses on its foreign exchange dealings. Without the exchange loss, profits would have increased by 15.8 per cent in real terms, excluding tax adjustments.

Second-quarter profits grew by 12.8 per cent compared with the same period last year, with exchange losses lower than expected at 186m pesos. The result was better than most forecasts and Telmex etock posted gains on the stock market.

Operating profits rose by 12.6 per cent in the first half to 6.04bn pesos, and sales by 12.2 per cent to 13.84bn pesos. Revenues from domestic services grew by 19.4 per cent to 6.35bn pesos, while national long-distance revennes increased by a more modest 1.8 per cent to 4.29bn pesos, after a cut in long-distance tariffs.

"We are starting to see evidence of a re-balancing betwean local and long-distance revenues," said Mr Ricardo Peon, an analyst with Baring Securities.

The company says it is going to face competition in its long-dietance market from 1997, and in preparation is seeking to make itself less dependent on long-distance revenues.

Telmex reported further progress in its efforts to expand Mexico's telephone system, with lines in service increasing to 7.996m, up 12.9 per cent compared with June 1993.

Sale by BCH raises Pta55bn

By Tom Burns in Madrid

Banco Central Hispano (BCH), the large Spanish bank which has been squeezed by narrowed financial margins, has raised Pta55bn ($423m) through the sale of an 18 per cent stake in Cepsa, the domestic petrol refiner and distributor. BCH did not name the buyer but it is understood to be SMM Company, an international fund managed by Morgan Grenfell.

BCH said the proceeds from the disposal would be injected into its core banking business and would help to increase its net interest income.

The disposal reduces BCH'e holding in Cepsa by half to 18 per cent but under the terms of the sale, it retains the full voting rights of its former 36 per cent holding. Cepsa'e other main ehareholders are the French Elf-Aquitaine group, with 33 per cent, and IPIC of Abu Dhabi, with 10 per cent.

The sale forms part of the bank'e strategic plan to slim its industrial portfolio to release funds that will underpin its flagging profit margins. Although BCH has the largest volume of total assets in the domestic banking sector, and also the largest branch network, its return on assets is well below that rival groups.

The bank'e net interest income shrunk by 4.8 per cent last year, although operating profit was up by 11.8 per cent due, in part, to mostly non-recurring foreign exchange and debt trading income. BCH is steeling itself for e sharp drop in treasury-based profits this year and posted disappointing first-quarter results with an 11.8 per cent fall in net attributable profit .

BCH, which was advised by J. P. Morgan of the US in its Cepsa disposal, earned Pta3,425 per share for its equity in the refiner, e price that was considered good for the bank by analysts.

Expansion for French lift truck group

By Andrew Baxter

Manitou BF Group, the world's largest producer of rough-terrain lift trucks, is expanding into Germany by buying the wheeled loader division of Ahlmann Maschinenbau, the medium-sized German construction equipment producer.

The deal, for which terms were not disclosed, is an important move for Manitou, which is quoted on the French second market and had group turnover and net profits of FFr1.25bn ($230m) and FFr42.1m respectively last year.

The takeover will give Manitou additional turnover of FFr300m a year.

Slowdown at Quaker Oats but Kellogg ahead despite tax rise

By Richard Tomkins in New York

Quaker Oats warned of a profit standstill but Kellogg reported a 6 per cent increase in net income in separate announcements from the two US breakfast cereal manufacturers.

Chicago-based Quaker Oats, recently the subject of bid speculation, said earnings in the fourth quarter to June would be "abont even" with the $1.30 of last year's comparable period, even ignoring the effect of a previously-announced restructuring charge.

The company blamed tha slowdown on disappointing sales in Europe, resulting from poor economic conditions, and the effects of hyperinflation on its Brazilian business.

Quaker Oats said that its US businesses were doing well, with higher overall volume coming from its Gatorade sports drink and cereal products.

It said it expected to report higher profits and earnings per share for the full year, excluding the restructuring charge.

In May, the company said it would be taking a pre-tax charge of between $110m and $130m in the fourth quarter to cover the cost of consolidating some of its US and international operations and reducing employment.

Kellogg reported a 14 per cent increase in pre-tax profits to $245.5m for the second quarter to June, but a higher tax charge reduced the increase to 6 per cent at the after-tax level. Net income rose from $142.7m to $151.5m.

Sales rose by nearly 5 per cent to $1.62bn and earnings per share by nearly 10 per cent to 68 cents, reflecting stock repurchases. For the first six months, net income was 4 per cent ahead at $335.4m.

Kellogg eaid operational improvements and cost-cutting boosted the results. The company has lost market share in the US over the past few years and this month replaced the head of its North American ready-to-eat cereal business.

Rodier to take helm at Péchiney

By David Buchan in Paris

Mr Jean-Pierre Rodiar, a 47-year-old board member of the Franco-Belgian Union Minière, is likely next week to become president of Péchiney, the French state-controlled aluminium and packaging group.

Mr Rodier, named to the board of Péchiney by decree on Saturday, is expected to be endorsed at next week's cabinet maeting as the group's president. He will replace Mr Jean Gandois, Péchiney'e long-serving president who has resigned in a bid to become the head of the Patronat employers federation later this year.

Tha government chose Mr Rodier over several more senior candidates, because of his experience, with Union Minière since 1991 and before that with Metaleurop, in the volatile non-ferrous metals industry. His main challenge will be to prepare for the privatisation of Péchiney, which last year lost FFr980m ($180m) on falling sales but hopes to break even this year with the recent firming in the world price of aluminium, which had been hit by cheap Russian supplies.

The government'e political dilemma with Péchiney, which is on the list of 21 state-owned companies for sale, is that if the group were to abandon aluminium in favour of concentrating on its more profitable packaging activities, its centre of gravity would shift to the US, where in 1989 it bought American National Can.

The government has also been considering giving Péchiney a steady source of cash by letting it take over Compagnie Nationale dn Rhône, which manages a series of hydro-electric dams on the Rhône. But this plan has run into opposition from local politicians and from Electricité de France, France's monopoly distributor of electricity, and would require fresh legislation.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday July 22, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	4050.60	2651.05	1661.59	2665.67
Albania	(Lek)	152.55	98.8363	62.5743	101.14
Algeria	(Dinar)	58.1440	38.0623	23.85	38.5493
Andorra	(Fr Fr)	8.3403	5.4583	3.4211	5.5296
	(Sp Peseta)	201.032	131.585	82.4611	133.284
Angola	(New Kwanza)	148577.5	95627.7	60124.5	97180.6
Antigua	(E Carr $)	4.1189	2.6966	1.6895	2.7308
Argentina	(Peso)	1.5258	0.9985	0.6258	1.0116
Aruba	(Florin)	2.7306	1.787	1.12	1.8103
Australia	(Aus $)	2.0613	1.349	0.8455	1.3666
Austria	(Schilling)	17.1795	11.2431	7.0468	11.3890
Azores	(Port Escudo)	249.873	163.595	102.536	165.732
Bahamas	(Bahama $)	1.5280	1	0.6267	1.013
Bahrain	(Dinar)	0.5761	0.377	0.2363	0.3819
Balearic Is	(Sp Peseta)	201.032	131.585	82.4611	133.284
Bangladesh	(Taka)	60.3641	39.4967	24.7565	40.0146
Barbados	(Barb $)	3.0682	2.0079	1.2585	2.0342
Belgium	(Belg Fr)	50.1779	32.8389	20.5824	33.2678
Belize	(B $)	3.0510	1.9967	1.2514	2.0226
Benin	(CFA Fr)	834.03	545.881	342.11	552.96
Bermuda	(Bermudan $)	1.5280	1	0.6267	1.013
Bhutan	(Ngultrum)	47.9013	31.348	19.6485	31.7584
Bolivia	(Boliviano)	7.0697	4.6266	2.9061	4.7004
Botswana	(Pula)	4.2145	2.7581	1.7287	2.7942
Brazil	(Real)	1.4317	0.9368	0.5872	0.9492
Brunei	(Brunei $)	2.3096	1.5116	0.9474	1.5313
Bulgaria	(Lev)	83.80	54.8429	34.3738	55.5592
Burkina Faso	(CFA Fr)	834.03	545.881	342.11	552.96
Burma	(Kyat)	9.0600	5.9293	3.7163	6.0067
Burundi	(Burundi Fr)	393.15	260.753	157.164	264.036
[illegible]					
Gambia	(Dalasi)	14.5685	9.5348	5.9768	9.6588
Germany	(D-Mark)	2.4379	1.5954	1	1.6163
Ghana	(Cedi)	1470.58	962.421	603.216	974.992
Gibraltar	(Gib £)	1.00	0.6544	0.4101	0.6629
Greece	(Drachma)	368.542	241.192	151.172	244.343
Greenland	(Danish Krone)	9.5634	6.2587	3.9228	6.3405
Grenada	(E Carr $)	4.1189	2.6958	1.6895	2.7308
Guadeloupe	(Local Fr)	8.3403	5.4583	3.4211	5.5296
Guam	(US $)	1.5280	1	0.6267	1.013
Guatemala	(Quetzal)	8.5831	5.6287	3.5247	5.6972
Guinea	(Fr)	1489.94	975.092	611.157	987.827
Guinea-Bissau	(Peso)	18757.55	12275.9	7694.14	12436.2
Guyana	(Guyanese $)	214.790	140.589	88.1045	142.405
Haiti	(Gourde)	18.3060	11.9803	7.5089	12.1368
Honduras	(Lempira)	13.0868	8.5658	5.3686	8.6778
Hong Kong	(HK $)	11.8048	7.7258	4.8422	7.8265
Hungary	(Forint)	156.416	102.366	64.1601	103.704
Iceland	(Icelandic Krona)	105.88	69.0641	43.2872	69.9681
India	(Indian Rupee)	47.9013	31.349	19.6485	31.7584
Indonesia	(Rupiah)	3312.06	2167.56	1358.57	2195.89
Iran	(Rial)	2732.00	1787.93	1120.64	1811.31
Iraq	(Iraqi Dinar)	0.4743	0.3104	0.1945	0.3144
Irish Rep	(Punt)	1.0148	0.6638	0.416	0.6724
Israel	(Shekel)	4.6701	3.0563	1.9156	3.0962
Italy	(Lira)	2420.23	1583.92	992.752	1604.61
Jamaica	(Jamaican $)	47.5719	31.1968	19.5544	31.6063
Japan	(Yen)	150.839	98.7166	61.8725	100.006
Jordan	(Jordanian Dinar)	1.0589	0.6929	0.4343	0.702
Kenya	(Kenya Shilling)	85.20	55.7591	34.9481	56.4874
Kiribati	(Australian $)	2.0613	1.349	0.8455	1.3666
[illegible]					
Pakistan	(Pak. Rupee)	46.6933	30.5584	19.153	30.9575
Panama	(Balboa)	1.5280	1	0.6267	1.013
Papua New Guinea	(Kina)	1.4363	0.9398	0.5891	0.9522
Paraguay	(Guarani)	2742.86	1795.06	1125.09	1818.6
Peru	(New Sol)	3.3554	2.1959	1.3763	2.2246
Philippines	(Peso)	40.2616	26.3492	16.5148	26.6933
Pitcairn Is	(£ Sterling)	1.00	0.6544	0.4101	0.6629
	(NZ $)	2.5241	1.6518	1.0353	1.6734
Poland	(Zloty)	34737.8	22734.2	14249.1	23031.2
Portugal	(Escudo)	249.973	163.595	102.536	165.732
Puerto Rico	(US $)	1.5280	1	0.6267	1.013
Qatar	(Riyal)	5.5628	3.634	2.2778	3.6814
Reunion Is. de la	(Fr Fr)	8.3403	5.4583	3.4211	5.5296
Romania	(Leu)	2604.11	1697.72	1064.06	1719.89
Rwanda	(Fr)	216.2092	141.492	88.6828	143.34
St Christopher	(E Carr $)	4.1189	2.6966	1.6895	2.7308
St Helena	(£)	1.00	0.6544	0.4101	0.6629
St Lucia	(E Carr $)	4.1189	2.6966	1.6895	2.7308
St Pierre	(French Fr)	8.3403	5.4583	3.4211	5.5296
St Vincent	(E Carr $)	4.1189	2.6966	1.6895	2.7308
San Marino	(Italian Lira)	2420.23	1583.92	992.752	1604.61
Sao Tome	(Dobra)	1049.03	686.536	430.301	695.505
Saudi Arabia	(Riyal)	5.7302	3.7501	2.3504	3.7991
Senegal	(CFA Fr)	834.03	545.831	342.11	552.96
Seychelles	(Rupee)	7.5360	4.9319	3.0911	4.9963
Sierra Leone	(Leone)	877.162	574.059	359.802	581.557
Singapore	($)	2.3096	1.5116	0.9474	1.5313
Slovakia	(Koruna)	48.639	31.8318	19.9511	32.2475
Slovenia	(Tolar)	185.66	121.498	76.1516	123.086
Solomon Is	($)	4.9766	3.2568	2.0422	3.3008
Somali Rep	(Shilling)	3996.61	2615.71	1639.45	2649.86
South Africa	(Rand)	5.6523	3.6991	2.3185	3.7474
[illegible]					

Special Drawing Rights 21 July, 1994 [illegible]

Friday July 22, 1994

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

[illegible]			

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

[illegible]			

[illegible] ... approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.

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CONTRACTS & TENDERS

INTER-AMERICAN DEVELOPMENT BANK (IDB)

PRE-QUALIFICATION FOR THE SELECTION OF EXTERNAL AUDITORS

The Inter-American Development Bank (Bank), is inviting expressions of interest from international accounting firms wishing to be considered to conduct the financial audit of the Bank, the funds under its administration and its pension-related funds, for the fiscal years 1995 through 1999.

Expressions of interest must include statements concerning the following requirements, in the order requested:

1. The firm: a) is a public accounting firm headquartered in a Bank member country and has been operating for a minimum of 10 years; b) has an international operating infrastructure; c) operates under common standards and policies worldwide; d) has formal continuing education and peer review programs; and e) has the ability to render accounting services in all major financial centers of the world.
2. A general background of the firm including a description of ownership and structure encompassing its national and international operations.
3. The firm has the ability to conduct audits under US generally accepted auditing standards and issue audit opinions on financial statements which have been prepared in conformity with US generally accepted accounting principles.
4. The firm is experienced with all filing requirements established by the US Securities and Exchange Commission (SEC) (provide a list of the firm's largest audit clients requiring filings with the SEC).
5. The firm has the ability to: a) service the needs of the Bank at its headquarters in Washington, DC. USA; b) provide services in cities where the Bank has its country offices; and c) provide professional support in connection with bond issuances in capital markets worldwide.
6. The firm is experienced in auditing multinational banks and/or similar institutions.

Replies (6 copies) must be addressed to the attention of Ms. Marilyn Hickson, Procurement and Contracts Section, Inter-American Development Bank, 1300 New York Avenue, NW. Washington, DC 20577 and must be received at the Bank no later than Wednesday, August 17, 1994 at 5:00 pm. It is the responsibility of the firm to ensure timely delivery of the pre-qualification materials. The Bank will take no responsibility for late or missing deliveries. Responses received after the prescribed date and time will not be considered and will be returned. Incomplete or inadequate responses, lack of response or misrepresentation in responding to the above requirements will disqualify the firm from any further consideration. The Bank, at its option, may take the necessary steps to verify any of the information provided in response to these pre-qualification requirements.

This does not constitute either a Request for Proposal or an offer to contract and does not create any obligation on the part of the Bank.

BIAO-CI

ANNOUNCES THAT IT HAS PURCHASED ALL OUTSTANDING SHARES OF BANQUE REAL DE COTE D'IVOIRE S.A. FROM BANCO REAL S.A. / BRAZIL

Abidjan, 25 July 1994

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Acatos & Hutcheson 3.5p
African Dvt. Bank 11.25% '01 £562.50
Britannia Bldg. Soc. Fltg. Rate Sub. Nts. '08 £14,621.28
Brt. Airports Finance FRN '98 Y105,563
Brit. Funds 12% Treas. £6
Do. 13¼% Treas. 2000/03 £6.875
Brixton Estate 5.175p
Business Post 2.5p
Canon FRN 1998 Y8,351
Council of the City of Salford 7% Ln. '19 £1,389.0
CPC $0.34
Darby 0.7p
Debenhams 7¼% Un. Ln. 02/07 £3.625
Do. 7¾% 2002/07 £3.875
[illegible]

Bk. of Montreal FRN Series 10 '98 $175.34
Bank of Nova Scotia C$0.29
Bristol Evening Post 6p
Compass 2.31p
Daiwa Overseas Fin. Gtd. Flg/Fixed Rate Nts. '04 $1,923.13
Fin. Receivables Trans. No.1 Mezz. Asset-Backed FRN '09 £1,889.86
Do. Senior Asset-Backed FRN '09 £806.63
Do. No.2 FRN '05 £1,869.89
Do. Senior FRN '08 £1,453.56
Do. No.3 FRN '16 £1,682.88
Do. Senior FRN '16 £1,402.40
Gold Fields SA Cv. rd. Cm. Pf. R1.45
Telefonica de Espana Pts37

■ THURSDAY JULY 28
Abacus 1.12p
[illegible]

Dartmoor Inv. Trust 3.0p
Dow Chemical $0.65
Drayton Recovery Trust 4p
Dundee & Lon. Inv. Trust 3p
East Surrey Hldgs. 7.99p
Eldridge, Pope & Co. A Res. Vtg. 1.5p
Eng. & Scottish Invs. 8.25% Db. '23 £4.125
Exmoor Dual Invs. Trust 2.25p
Guaranteed Export Fin. Corp. FRN '99 £251.34
Hapoalim Intl. FRN 2000 $198.89
Helene 1.30p
HI-TEC Sports 1.5p
Hopkinsons 0.8p
Italy (Rep. of) FRN '91 $224.70
Jarvis Porter 3.55p
King & Shaxson 5p
Do. 3.5% Cm. Ptg. Pf. 3.15p
Do. 5% Cm. 2nd Pf. 1.75p
Locker (Thomas) 0.2p
Do. A Non-Vtg. 0.2p
London Scottish Bank 1.2p
[illegible]

USF & G $0.05
Wells Fargo FRN 2000 $42.99
Wolseley 4.72p

■ SATURDAY JULY 30
Cater Allen Hldgs. 20p
Nationwide Bldg. Soc. 3⅞% & Ln. '21 £2.8802
Whitbread 11⅝% Db. '11 £5.8125

■ SUNDAY JULY 31
Airflow 10% Cm. Pf. 5p
Beattie (James) 6% Cm. Pf. 2.1p
Bentalls 6½% Cm. Pf. 1.925p
Britannia Bldg. Soc. 13% PIBS £65
British Petroleum 8% Cm. 1st Pf. 2.8p
Do. 9% Cm. 2nd Pf. 3.15p
Dowhurst 9.75% Cm. Pf. 4.875p
Dixons Cv. Rd. Pf. 2.5p
English 11% Db. '13 £5.50
First Natl. Fin. 7% Cv. Cm. Rd. Pf. 0.5p
[illegible]

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
[illegible]

■ TOMORROW
COMPANY MEETINGS:
[illegible]

■ WEDNESDAY JULY 27
COMPANY MEETINGS:
[illegible]

■ THURSDAY JULY 28
COMPANY MEETINGS:
[illegible]

■ FRIDAY JULY 29
COMPANY MEETINGS:
[illegible]

Company meetings are annual general meetings unless otherwise stated. Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

CONFERENCES & EXHIBITIONS

AUGUST 4 - 7
THE NEC AUGUST FAIR
With a theme of 'Antiques For Everyone' this fair will consist of 600 Exhibitors showing a broad range of antiques, fine art and objet d'art. All exhibits will be examined by the Honorary Vetting Committee.
Open 2pm-9pm (4 Aug) 11am-8pm (5/6 Aug) 11 am-6pm (7 Aug).
Enquiries: Linda Colban - Centre Exhibitors Tel: 021 767 2760
BIRMINGHAM

SEPTEMBER 1 & 2
FT WORLD AEROSPACE AND AIR TRANSPORT
The conference will focus on the challenges facing the industry in the next century, how it is restructuring for the future to achieve growth, together with the impact of government policy.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081-673 1335
LONDON

SEPTEMBER 8-9
VALUING INTERNATIONAL COMPANIES
This event responds to ever increasing pressure to place realistic values on companies in a variety of contexts. Company Executives, bankers and other professionals will study valuation techniques in practice and the possible problems encountered in real life scenarios.
Contact: Acquisitions Monthly
Tel: 071 823 8740 Fax: 071 581 4331
LONDON

SEPTEMBER 11 - 23
RETAIL AND WHOLESALE BANKING
2 week residential seminar for bankers from the emerging markets. Week 1 - retail banking, payments systems, credit assessment & trade finance. Week 2 wholesale treasury, FX and MM and derivative markets. Highly participative training, incl. educational visits to financial institutions in both weeks.
£3,200 + V.A.T. fully inclusive. (15% discount 2+) Lywood David International Ltd.
Reservations by Fax: 0959 565821
LONDON

SEPTEMBER 12-18
GCC & BRITAIN '94 EXHIBITION
Over 350 of the Gulf States most successful businesses will all be under one roof, all ready to talk business at Olympia 2, September 12th - 18th, 10.00 a.m. - 6.00 p.m. Daily. For tickets/information contact:
Arab-British Chamber of Commerce, 6 Belgrave Square, London SW1X 8PH
Tel: 071 235 4363 Fax: 071 243 6688
LONDON

SEPTEMBER 14 & 15
FT NUCLEAR INDUSTRY
This high-level forum will examine the outlook for nuclear power in North America and Western Europe, assessing the impact of current government moratoria and review growth potential in the Asian-Pacific region.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081-673 1335
LONDON

SEPTEMBER 19-20
BUSINESS PROCESS RE-ENGINEERING (BPR)
Continuing series of seminars for managers charged with designing and implementing BPR initiatives. Presented by leading US practitioner and BPR author. Proven 'how-to-do-it' implementation guide illustrated with case studies and workshops. Course book also available. Over 50 organisations in the private & public sectors have already attended. Repeated November 21-22.
Contact: Richard Parris, Vertical Systems Intercede Ltd
Tel: +44-455-250266 (24 hours)
Fax: +44-455-890821
LONDON AREA

SEPTEMBER 20-23
18TH EUROPEAN FEDERATION OF FINANCIAL ANALYSTS' SOCIETIES CONGRESS
Comprises over 30 separate sessions and more than 70 speakers covering topics including the opening up of new markets in Asia, Latin America and Eastern Europe, European accounting policy, European privatisations, accounting for environmental costs and business re-engineering. Attendance is open to all parties involved in international investment management.
Contact: Sharon Pidgeon, CASL
Tel: 071 486 0531 Fax: 071 935 7559
EDINBURGH

SEPTEMBER 21 & 22
FT RETAILING TOWARDS 2000
The meeting debate the opportunities and challenges facing the retail industry, considering both current issues and future trends.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081-673 1335
LONDON

SEPTEMBER 23-25
EXECUTIVE ENHANCEMENT TRAINING
Personal Enhancement Residential Weekend At The Executive Tai-Chi International Conference. Key Benefits:- Realise your full potential; Enhance your business and management skills; Improve your health, vitality and fitness; How to achieve your goals and Learn about "Master" - the latest concept for Sales & Customer Care.
Contact: Quintessence Business Training
Tel: +44 (0) 908 322 450
Fax: +44 (0) 908 220 213
MILTON KEYNES

OCTOBER 3 - 21 NOVEMBER
FT-CITY COURSE
This course is designed to provide participants with an overview of all the workings of the City of London, paying particular attention to the banking and securities markets.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081-673 1335
LONDON

OCTOBER 4 & 5
FT INTERNATIONAL INFRASTRUCTURE FINANCE
Build-Operate-Transfer (BOT) projects are set to play an important role in major infrastructure schemes worldwide. This two-day event will examine the billion dollar business opportunities for contractors and suppliers to the industry.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081-673 1335
LONDON

OCTOBER 6-7
ACQUIRING & VALUING IN GERMANY
With over 2500 recent cross-border deals into Germany, this workshop offers a forum to acquire specialist knowledge of the German market. Case study work will enable this knowledge to be put into practice. Legal, tax, accounting and practical issues will be addressed.
Contact: Acquisitions Monthly
Tel: 071 823 8740 Fax: 071 581 4331
LONDON

OCTOBER 26 - 27
BPR 94: RE-ENGINEERING, PROCESS MANAGEMENT AND PERFORMANCE IMPROVEMENT
Europe's leading conference and exhibition devoted to exploring how to apply business re-engineering strategies to achieve quantum leaps in corporate performance. Designed to meet the needs of your whole re-engineering team, from executive sponsor to those involved in planning and implementing projects.
Contact: Business Intelligence
Tel: 081 544 1830 Fax: 081 544 9020
LONDON

NOVEMBER 11
CHINA - THE M & A MARKET OF THE FUTURE
An exciting opportunity - a comprehensive introduction to the emerging Chinese market. Experience an overview of China's politics, society and economy, means of identifying and valuing target companies, tax considerations and financing, combined with practical alliances experience.
Contact: Acquisitions Monthly
Tel: 071 823 8740 Fax: 071 581 4331
LONDON

INTERNATIONAL

SEPTEMBER 27-29
DA/DSM EUROPE 94
Competition in combination with open access will force utilities to introduce more advanced technologies such as: IT/DA/DSM/SCADA/AM/FM/GIS/AMR At this conference & exhibition the latest developments will be discussed and shown by the major companies and utilities. High level.
Contact: PennWell C&E
Tel: +31-30-650.963 Fax+31-30-650.928
PARIS

SEPTEMBER 29 & 30
FT INTERNATIONAL BANKING
The conference will provide a forum to debate the outlook for banking in the mid-1990s and address a wide range of issues of current concern to the international banking community.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081-673 1335
MADRID

DECEMBER 7 - 9
SADC - EUROPEAN UNION MINING FORUM
Organised by the Southern African Development Community and the European Commission. 200 investment/exploration projects from 10 African countries to be presented, plus country updates on mining sector, trade, investment and policy issues. Participation free of charge by invitation only. Private business meeting to be programmed on basis of matched interests.
Tel: AGORA 2000: +39 6 3241719
IDOM: +32 2 7326366
Metra Sofres: +44 81 6885535
LUSAKA

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FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / Gerard Baker in Tokyo

Balancing the accounts

Socialist prime ministers don't usually provoke celebrations in bond markets, and Japan's new leader is no exception.

Bond prices had already been under pressure for most of the year as the market became caught up in global expectations of higher inflation. But now the fixed interest market is under attack from the supply side, as investors fear that the new coalition government is set to pump up a ballooning deficit. Both fears are overdone.

Although Mr Tomiichi Murayama, heavily outgunned by his conservative coalition partners, has abandoned most of the nostrums of socialist theology in a few heady weeks, fiscal policy is another matter.

Ministers have been queuing up to promise a few trillion yen of extra spending on everything from bullet trains to new houses, and with an election likely in the next year, fiscal rectitude is not high on the government's agenda. But the prospect of a few more public works projects should not cause too much alarm – even the parsimonious bureaucrats at the Ministry of Finance don't object to borrowing for the purpose of investing.

What really worries them and the bond market is the unresolved debate on revenue. Late last year plans were laid for a Y6 trillion cut in income tax to stimulate the economy. As with most Japanese fiscal stimuli, there was a strong element of smoke and mirrors. The income tax cut was, if the MoF had its way, to be offset by a huge hike in consumption tax – from its current 3 per cent to as high as 10 per cent. The socialists objected, and the income tax cut alone was implemented.

That tax cut takes effect this month, and the MoF is back to demand its pound of flesh. Its case is seductively simple. The past few years have seen the government's finances dive into the red. From a surplus of 3 per cent of GDP in 1991, the fiscal balance will have declined to a deficit of 1.5 per cent this year. Hardly a case for alarm. But take out the surplus on the social security fund and the deficit soars – to about 5.7 per cent of GDP.

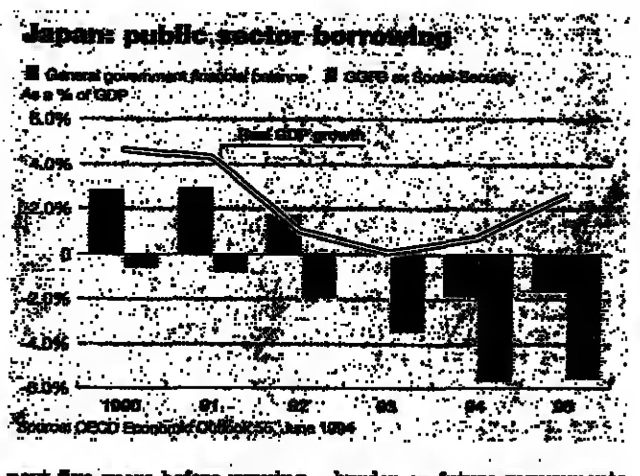
But few people can be unaware that for the past three years Japan has been experiencing its worst recession since the 1930s. Measurement of the output gap – the difference between actual output and trend – is tricky because of the tendency of Japan's rate of growth to slow over time, but a conservative estimate would put it at around 6 to 7 per cent.

In other words, the Japanese economy has plenty of slack to make up, and could grow at about 4 per cent a year for the next five years before running into serious capacity constraints. Growth of that level would certainly restore the fiscal balance to order.

But, says the MoF, that ignores the longer term weakness at the heart of the public accounts – the unusual age structure of Japan's population – youthful now, but greying rapidly into the next century, presaging a heavy pensions burden on future governments. That, it says, requires a consumption tax increase today to avert a debt crisis tomorrow.

But with the economy emerging slowly from a long recession, to impose a huge tax increase now to deal with a problem that might arise in 2010 seems masochistic. Surely better to let the recovery float the public finances back into equilibrium – then decide what to do about the demographics.

A consumption tax increase now might well choke off the hesitant recovery, creating a short-term fiscal problem as well as a long-term one.



Source: OECD Economic Outlook 55, June 1994

Total return in local currency to 21/7/94

	US	Japan	Germany	France	Italy	UK
			% change over period			
Cash						
Week	0.08	0.04	0.09	0.10	0.15	0.09
Month	0.36	0.18	0.42	0.46	0.69	0.42
Year	3.63	3.09	6.25	6.56	9.98	5.86
Bonds 3-5 year						
Week	0.01	-0.18	-0.17	0.39	-0.44	-0.12
Month	0.38	6.95	2.09	2.74	[illegible]	-2.56
Year	-0.82	-14.68	5.86	4.85	[illegible]	3.94
Bonds 7-10 year						
Week	0.00	0.58	-0.05	0.93	[illegible]	-0.37
Month	0.30	1.17	3.89	4.88	2.27	4.49
Year	-2.87	4.41	4.36	3.07	[illegible]	2.68
Equities						
Week	-0.7	-0.8	2.5	3.9	[illegible]	1.8
Month	0.6	-0.8	5.9	8.0	[illegible]	5.4
Year	8.8	2.1	15.2	11.4	29.5	14.4

Source: Cash & Bonds – Lehman Brothers. Equities – © NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co. and NatWest Securities Limited.

Inflation

If fears of an excess supply of bonds are misplaced, weak demand is already a reality. Investors have been fleeing bonds as global expectations of inflation have spread to Japan. The yield on Japanese government bonds has risen to 4.3 per cent from less than 3 per cent at the start of the year.

But it is hard to see how world inflation is going to get to Japan.

As noted above, the amount of slack in the economy is so great that there is little or no prospect of a revival in output producing anything more than the slightest of upticks in prices. Deregulation, moving admittedly at a snail's pace, is proceeding nonetheless, and is bringing down prices. And the rise in the yen's value is insulating the country from external price shocks.

Core consumer price inflation has decelerated to below 1 per cent. But this is only half the story. The figures seriously underweight purchases in the rapidly growing discount sector. Anecdotal evidence suggests prices may be falling by as much as 5 per cent a year.

Sustained deflation might itself create fiscal problems as the real value of government debt rises. But the current public debt/GDP ratio, at 47 per cent, is comfortably within the bounds of manageability. The attractions of low inflation are more important to the bond market than the vague long term dangers of oversupply.

Exporters

With the yen showing scant sign of coming back to earth, investors might be tempted to dump equity in the major export sectors, such as transport, electricals and precision instruments.

But this could be an error. New research by UBS Tokyo shows that, despite the high yen, many firms raised exports last year, and they can be expected to do so again.

The explanation, according to Neil Rogers, a UBS equity strategist, lies in the real, as distinct from the nominal exchange rate. With the exception of Europe the major export markets for Japanese companies have been growing strongly. At the same time inflation is much higher in all of them than in Japan.

In the major Asian economies, consensus forecasts suggest growth should average over 3 per cent this year, with inflation above 9 per cent. Even in the United States, growth this year of 3.5 per cent could be accompanied by inflation of 3 per cent.

With prices and costs in Japan falling, the real appreciation of the yen is much lower than the nominal figure. And the large increases in demand mean companies should be able to remain competitive, either by raising prices and retaining market share, or by cutting margins and seeing market share grow.

Meanwhile the deflation in Japan that is keeping the country's goods competitive is likely to depress profits for those companies locked into the home market. The high yen may oot help exporters, but neither is it likely to depress their competitiveness vis-a-vis industry as a whole.

Economics Notebook

Likelihood of SDR issue

If anybody deserves a prize for persistence in global economic policy making, it is Mr Michal Camdesaus, the managing director of the International Monetary Fund.

For as long as anyone can remember, he has been popping up at international meetings to urge an issue of special drawing rights, the IMF's own reserve asset.

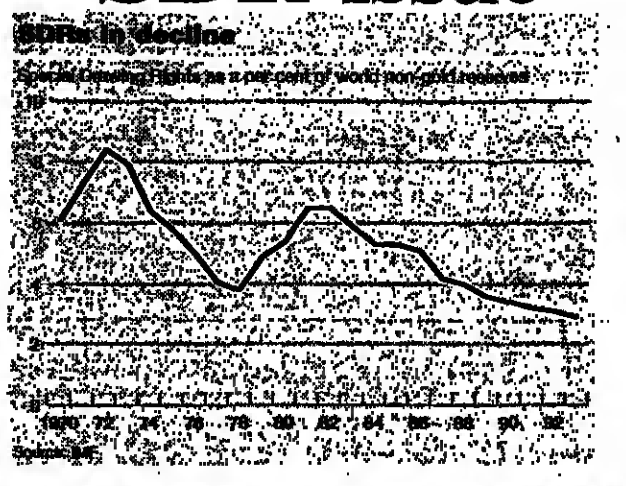
He has prosecuted his campaign with a passion that contrasts starkly with the apparent dryness of the subject. Now after many set-backs, Mr Camdessus' hopes are high that he will win the backing of the Fund's 179 members for an SDR issue at the IMF's annual meeting in Madrid in early October.

If he does, it will not be without a fight. For there is one institution that cares as much as Mr Camdessus about the SDR. So far, the Bundesbank has been implacable in its opposition to a general allocation of SDRs to all IMF members to boost the world's monetary reserves.

But most of the Group of Seven large industrial countries now seem inclined to give Mr Camdessus at least part of what he wants and will work for a compromise in Madrid. In so doing, they will signal that the IMF should stay in the business of providing financial support to countries with long-term economic problems rather than focus on stability in the international monetary system and short-term assistance to economies in difficulty, as recommended by the recent report of the Bretton Woods Commission.

The special drawing right, or SDR, is a prime example of the IMF's talent for cloaking its activities and achievements in bland phrases and obscure acronyms.

It sounds boring: an artificial "basket" currency, at present composed of the dollar, D-Mark, yen, French franc and sterling and worth about $1.46. Yet when IMF members agree an SDR allocation they give the Fund the power to create its own money.



Source: IMF

IMF members agreed to establish SDRs in the late 1960s after years of growing concern over a potential shortage of international liquidity and fears that this would stifle global economic growth. SDRs were initially issued to all IMF members in 1970 according to the size of their holdings in the Fund. By 1972 they accounted for 8.4 per cent of world non-gold reserves.

But early hopes that the SDR might supplant the dollar at the centre of the world monetary system have faded. The last SDR issue was in 1981 and, as the chart shows, its importance as a reserve asset has declined since.

The reluctance of IMF members to allow new SDRs has reflected the great changes in the global economy since the early 1970s. Instead of dealing with a liquidity shortage, policy makers soon had to contend with excess liquidity caused by inflationary US financing of the Vietnam War.

Global capital markets have been liberalised over the past two decades making it possible for most countries to supplement their reserves by borrowing. Nor does global liquidity seem to be lacking at present. Many monetary officials argue that the dollar's recent weakness has been a symptom of excess liquidity rather than shortage.

But while the monetary case for an SDR allocation seems feeble, the political reasons have strengthened. Communism has collapsed and the Cold War has ended since the last SDR allocation in 1981. IMF membership increased rapidly as former Soviet satellites and republics joined the Fund, leaving nearly 40 IMF members without SDRs and raising a question of equity.

Against this background, Mr Camdessus has been campaigning for an allocation of SDR36bn (about $52.5bn) to all Fund members. This, he says, would help newcomers such as Russia and other former communist states, many of which are starved of reserves. New SDRs would not be inflationary in today's economic environment, he says.

Unfortunately, a general SDR increase would benefit wealthy industrialised countries more than the disadvantaged. However, it would be easier to agree than a selective SDR increase that would require a change in IMF rules and the support of 85 per cent of the membership.

So far the US and other G7 countries have rejected his arguments. But the prospect of helping Russia at no cost to itself has proven too tempting for the US Treasury. At the recent Naples G7 summit, aides of Mr Lloyd Bentsen, the US Treasury secretary, were touting the idea of a selective increase of SDR4.5bn to satisfy the newcomers' desire for finance and salve the industrial powers' conscience about unfair treatment.

However, no-one expects the long-standing developing country members of the IMF to allow the newcomers to boost their reserves without obtaining something for themselves. Almost certainly, there would have to be a general SDR increase to win the necessary 85 per cent support for a selective SDR increase.

Last week, Mr Bentsen admitted that a general SDR increase was discussed in Naples. The way seems open for a compromise that would include a small selective SDR allocation for new IMF members, a rather larger general issue and, perhaps, increased access for countries in trouble to IMF resources that are subject to economic policy conditions.

Mr Camdessus would then be able to enjoy a triumph in Madrid and declare that the IMF has received a ringing endorsement from members in the 50th anniversary year of the Bretton Woods agreement that created it.

The risk is that he will have established a precedent for unnecessary liquidity expansion, weakening the IMF's counter inflationary credentials.

Peter Norman

COMMODITIES — Richard Mooney

Moment of truth for coffee

Coffee traders will have a better idea whether the price explosion in the coffee market over the past month is justified after tomorrow. The Brazilian government will then issue the first official assessment of the damage done to its coffee crop by the frosts of two and four weeks ago.

Unofficial estimates have put the prospective 1995-96 crop (the first one that will be affected) at between 10m and 15m bags (60kg each), compared with the 25m forecast before the frosts. But most traders believe the lower figure exaggerates the extent of the damage.

The September futures price on the London Commodity Exchange rose from $2,255 to $4,085 a tonne as the frosts sparked off bouts of near panic buying. It has since fallen back by $450 but traders have been reluctant to push it any lower because further frosts will remain a possibility until early September.

Nevertheless, a forecast above 15m bags tomorrow would be likely to push the price down further.

Mr Claus de Freitas, the Brazilian National Coffee Department's director, has given little away ahead of the report. Talking to the Reuter news agency last Wednesday he played down comments by Mr Elcio Alvares, the industry and commerce minister, that initial damage reports were exaggerated. "There were some reports that were exaggerated, not from the government, which is very cautious, but from the minister's own sources," Mr Freitas said. "The minister was saying that some people were saying that the whole country was stricken. That did not happen."

Refusing to comment further, he told reporters: "The government cannot put out a number that isn't right."

● Other events this week include an international rubber forum in Jakarta and the Mining in Africa conference in Johannesburg, both on Wednesday, and the publication of the International Wheat Council's latest grain crop estimates on Thursday.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JULY 22 1994 US Dollar Index	%chg since 31/12/93	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/93	Gross Div. Yield	THURSDAY JULY 21 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	173.71	4.1	168.56	108.40	144.09	155.86	-4.7	3.54	172.00	165.85	107.29	140.93	155.59	189.15	138.56	138.56
Austria (17)	184.73	-0.1	179.25	115.27	153.23	153.37	-7.9	1.04	186.93	180.25	116.60	153.16	153.16	195.41	155.66	157.25
Belgium (37)	169.89	4.5	164.86	106.02	140.92	137.59	-5.1	4.02	170.86	164.75	106.58	139.98	136.61	176.67	143.62	148.31
Canada (106)	127.77	-5.9	123.98	79.73	105.99	127.50	-2.1	2.66	127.48	122.93	79.52	104.45	127.22	145.51	120.54	122.89
Denmark (33)	271.55	9.6	263.50	169.46	225.25	231.17	1.2	1.26	270.83	261.15	168.94	221.90	228.00	275.79	207.58	211.21
Finland (24)	158.26	26.5	153.58	98.77	131.29	175.16	17.0	0.81	158.24	152.59	98.71	129.66	173.42	159.20	95.42	98.56
France (97)	172.72	-1.8	167.60	107.79	143.27	147.86	-9.3	2.97	175.34	169.07	109.36	143.66	148.59	186.87	161.11	151.11
Germany (58)	142.56	1.8	138.34	88.96	118.25	118.25	-8.6	1.75	142.49	137.40	88.88	116.74	116.74	147.07	112.69	116.20
Hong Kong (56)	372.06	-24.0	361.04	232.16	308.63	369.05	-24.0	3.21	370.91	357.67	231.38	303.91	367.67	506.58	271.42	271.80
Ireland (14)	198.40	7.1	192.52	123.80	164.57	185.56	0.2	3.29	199.16	192.04	124.23	163.16	184.95	209.33	157.90	159.94
Italy (61)	88.79	29.5	86.16	55.41	73.66	105.04	19.8	1.44	88.27	85.12	55.06	72.33	103.67	97.78	57.88	68.16
Japan (469)	165.19	26.9	160.30	103.08	137.03	103.08	12.3	0.74	166.85	160.89	104.08	136.71	104.08	170.10	124.54	152.01
Malaysia (98)	472.54	-20.1	458.54	294.88	391.97	471.49	-23.2	1.73	470.01	453.23	293.20	385.11	469.02	621.63	343.87	343.87
Mexico (18)	1894.17	-20.7	1838.01	1182.00	1571.17	7050.06	-13.1	1.89	1871.27	1804.41	1167.30	1533.20	6962.97	2647.08	1616.57	1528.84
Netherland (27)	206.06	3.5	199.97	128.60	170.94	168.40	-4.8	3.37	206.86	199.48	129.03	169.48	165.93	207.46	165.52	166.09
New Zealand (14)	68.71	1.2	66.68	42.88	57.00	60.27	-6.5	6.57	68.67	66.22	42.84	56.27	09.36	77.59	52.24	52.68
Norway (23)	205.48	14.4	199.37	128.21	170.43	193.93	5.8	1.70	206.64	199.26	128.90	169.31	193.05	207.35	156.74	157.94
Singapore (44)	341.08	-7.0	331.52	213.20	283.40	238.01	-12.7	1.77	344.06	331.75	214.62	281.90	239.44	378.92	250.05	253.92
South Africa (59)	283.22	6.0	274.82	176.74	234.93	283.52	13.2	2.24	286.55	276.32	178.75	234.79	284.04	292.54	175.98	200.52
Spain (42)	141.14	1.8	136.95	88.07	117.07	140.68	-6.8	4.01	141.47	136.41	88.25	115.91	139.32	166.79	116.38	116.80
Sweden (36)	216.96	10.5	210.53	135.39	179.97	251.53	9.9	1.59	214.82	207.14	134.00	176.01	247.39	231.36	168.75	168.75
Switzerland (47)	157.39	-1.7	152.72	98.22	130.55	131.92	-10.5	1.84	158.42	152.76	98.82	129.80	130.72	178.58	125.30	126.37
United Kingdom (204)	193.96	-5.4	188.21	121.04	160.89	188.21	-6.4	4.02	193.91	186.98	120.96	158.88	186.98	214.98	172.28	173.11
USA (519)	184.94	-2.6	179.46	115.41	153.40	184.94	-2.6	2.90	184.76	178.16	115.25	151.38	184.76	198.04	178.96	181.97
EUROPE (720)	169.95	0.9	164.89	106.04	140.95	155.21	-6.0	2.99	170.32	164.24	106.25	139.55	154.08	178.59	143.32	143.67
Nordic (116)	214.43	13.2	208.07	133.81	177.86	212.52	5.2	1.40	213.25	205.63	133.02	174.72	209.48	220.50	180.69	180.98
Pacific Basin (749)	172.66	19.0	167.54	107.74	143.22	112.78	8.8	1.08	174.02	167.50	108.55	142.58	116.57	178.86	134.79	155.09
Euro-Pacific (1469)	171.36	10.5	166.30	106.94	142.15	129.57	0.9	1.87	172.33	166.16	107.50	141.20	129.57	173.89	143.86	150.29
North America (625)	181.39	-2.7	176.01	113.19	150.46	180.99	-2.8	2.89	181.21	174.78	113.04	148.47	180.80	192.73	175.67	178.32
Europe Ex. UK (516)	153.15	3.8	148.61	95.57	127.03	135.27	-4.4	2.39	153.73	148.24	95.90	125.96	134.28	157.47	125.09	125.19
Pacific Ex. Japan (280)	247.45	-13.7	240.12	154.42	206.27	221.03	-17.2	2.89	246.38	237.58	153.69	201.86	220.58	296.21	185.92	185.92
World Ex. US (1652)	172.22	9.5	167.11	107.47	142.85	132.69	0.8	1.89	173.13	166.94	108.00	141.85	133.06	174.76	145.58	150.71
World Ex. UK (1967)	173.62	6.0	168.47	108.34	144.01	145.32	0.5	2.05	174.22	168.00	108.68	142.75	145.51	175.58	155.96	158.92
World Ex. So. Af. (2112)	174.76	5.0	169.58	109.05	144.96	148.18	-0.6	2.24	175.29	169.03	109.34	143.62	148.28	178.56	158.54	160.02
World Ex. Japan (1702)	183.15	-2.5	177.70	114.28	151.90	176.65	-4.9	2.91	183.14	176.60	114.24	150.05	175.21	195.20	166.51	166.51
The World Index (2171)	175.42	5.0	170.22	109.47	145.51	149.19	-0.4	2.24	175.97	169.68	109.77	144.18	149.27	178.97	158.85	160.19

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 129.22 (Local).
Constituent changes during the week ending 22/7/94: Deletion: Bridge Oil (Australia). Name change: B.S.N. to Danone (France).

WORLD BOND MARKETS: This Week

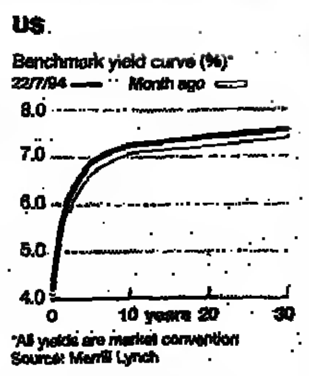
NEW YORK — Richard Waters

Friday's release of advance data on the growth of Gross Domestic Product in the second quarter is the main event of the week on the bond market but the figures seem unlikely to give much of a clue as to the future direction of the yield on the long bond, which ended the week still hovering at just above 7.5 per cent.

Wall Street expects GDP growth to come in at around 4 per cent, up from 3.4 per cent in the first quarter. The pick-up has not been driven by consumer spending, which is thought to have grown by no more than 1 per cent, but by a build-up in inventories.

The growth in inventories can be read two ways. Manufacturers, wholesalers and retailers may simply have misread demand during the period. If so, production should fall off in the third quarter, making manufacturing capacity constraints less of a concern. That would be good news for inflation and, by implication, the bond market.

US



*All yields are market convention
Source: Merrill Lynch

Alternatively, the second-quarter inventory picture may reflect a greater confidence about future consumer spending, and an intended reversal of the long-term trend towards lower inventory levels.

After the Fed chairman's growing warnings about inflation last week, the bond market may decide to mark time ahead of next week's more significant employment data, due on Friday.

LONDON — Peter Norman

The gilt edged market's attention will be focused on Wednesday's auction of £2bn of conventional 6¼ per cent long dated stock due 2010. The auction is the first of stock maturing beyond 10 years since January and will be watched closely for signs of interest among international investors, who might be tempted by hopes of a currency gain.

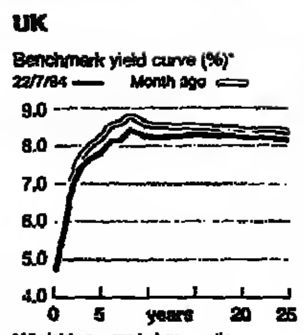
Although recent indicators suggest economic growth above the long-term trend, worries about inflation are unlikely to be sufficiently pronounced to upset the sale.

The issue came at the lower end of expectations in terms of size and is likely to meet demand from such traditional UK investors as pension funds and insurance companies.

It also follows a period of improving sentiment in the market, which has seen yields on 10 benchmark bonds drop to around 8.3 per cent from about 9 per cent six weeks ago.

The big question is whether

UK



*All yields are market convention
Source: Merrill Lynch

the market's fortunes have changed for the better or whether we have seen a rally in a bear market.

Mr Kevin Gardiner, Morgan Stanley's UK economist, is pessimistic and forecasts that yields will be back at 9 per cent in December.

However, Mr Adam Chester of Yamaichi International expects yields to fall to 8 per cent by the year's end, reflecting a benign inflation environment.

FRANKFURT — Christopher Parkes

The Bundesbank's application of the brakes on all three of its key interest rates – completed last week with a fixed securities repurchase rate of 4.85 per cent for the duration of its four-week holiday – left plenty of options open for the autumn.

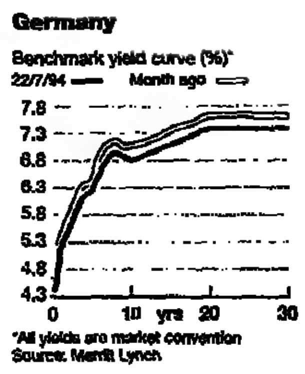
Mr Gerhard Grebe, chief economist at Bank Julius Bär, suggested it also presented a risk. In the case of another bout of dollar weakness, intervention would be the only counter-measure at the bank's disposal, he said.

That apart, the Bundesbank council left for its vacation in an unusually comfortable situation.

Money supply is not half as bad as the bare figures suggest; inflation is still on the down-track, and the economy is beginning to fire on more cylinders.

If these conditions persist, the bank could resume its monetary easing at any time after the break. While some are betting on further moves

Germany



*All yields are market convention
Source: Merrill Lynch

before the October federal elections, there is also a school of thought which suggests the Buba will wait until later. This would avoid any accusations of political motivation, and give more time for M3 to settle down and the bank's reputation to recover from its recent shaking.

On the other hand, as Mr Johann Wilhelm Gaddum hinted last week, the bank could decide to sit pat and do nothing.

TOKYO — Emiko Terazono

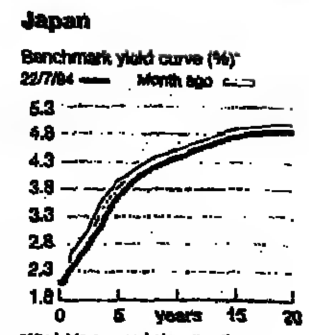
Japanese government bonds are expected to be trapped in a range this week as technical factors are likely to prevent traders and investors from taking large positions.

Although a spreading optimism over economic recovery and a rise in short-term interest rates due to active fundraising by banks resulted in a net loss in bond prices last week, the change in traded bond futures contracts next month from the September to December contracts have prevented a sell-off.

Meanwhile, cautiousness of over-supply still prevails, and market participants will focus on a government offering, expected mid-week, of Y1,000bn in 10-year bonds to test the real strength of the market.

In spite of previous concerns, last week's Y100bn Tokyo Electric Power straight bond issue and Y100bn offering by Nippon Telegraph and Telephone were well received by investors. Traders, however,

Japan



*All yields are market convention
Source: Merrill Lynch

said the corporate issues were priced attractively to draw buyers, and that it would be harder for investors to absorb a large government issue.

Mr Katsuyuki Nawata, bond analyst at Sanwa Bank, says a coupon of around 4.4 per cent may attract institutional investors. He expects a range of 4.27 per cent to 4.45 per cent on the yield for the No 164 bond as long as economic data, released this week, do not betray market expectations.

Capital & Credit / Frank McGurty

Greenspan deflates Wall Street optimism

Just when it seemed safe for investors to wade back into the US Treasury market, Mr Alan Greenspan returned to the beach, blowing his warning whistle again.

The menace, of course, is higher inflation, not to mention the commitment of the Federal Reserve chairman, as America's economic lifeguard, to contain the danger by lifting interest rates whenever the central bank sees fit.

It seems the demise of uncertainty was greatly exaggerated in the run-up to the Fed chief's appearance on Capitol Hill. "What people want is certainty and we can only be certain they are not going to find it," says Mr Jim Grant, editor of Grant's Interest Rate Observer.

Mr Greenspan made sure of that in his semi-annual Humphrey-Hawkins testimony before the Senate and House banking committees. He told them that it was "an open question" whether inflationary pressures were still lurking below the surface of the economy, despite the steady increase in interest rates since February.

He left bond traders with the distinct impression that a fifth move to tighter money supply this year could come at any time, though he stopped well short of saying a rate increase was a foregone conclusion.

Most analysts now expect a tightening will coincide with the Fed's next policy-making session on August 16.

After its July policy meeting, when the policy was left unchanged, bond traders began to grow bolder in the conviction that the Fed had indeed achieved Mr Greenspan's stated goal of moving to a "neutral" policy stance, one which would neither encourage or discourage expansion.

"The market wants to believe what has been profitable for a long time, namely, that the economy will oblige by coming in weaker than expected," says Mr Grant. The big jump this spring in leveraged positions held by primary government-bond dealers, from \$147.4bn on March 20 to \$169bn on June 22, shows the willingness of the market to throw caution to the wind, he says.

Still, the perception that monetary policy was on hold was reinforced by recent data. Business inventories in May showed their largest monthly increase in seven years, the Commerce Department reported just a week ago, suggesting a slowdown in industrial production in the second half of the year.

With such evidence of a cooling economy in hand, Mr Greenspan had been expected to confirm the market's rekindled hopes and pave the way for the bulls' return.

Had traders revealed a touch of naivety? Nonsense, says Mr Robert Brusca, an economist at Nikko Securities in New York. Only a week earlier, Mr Greenspan himself had described the economy as enjoying the best of both worlds: moderate growth and low inflation.

"People thought that after that description, we would hear a rather friendly testimony last week, which did not turn out to be the case," says the analyst, who has been critical of what he describes as the chairman's "ad hoc" handling of monetary policy during the recession and afterwards. "The question now is, who is testifying: Dr Jekyll or Mr Greenspan," Mr Brusca quips.

Other analysts, however, contend that the market was ripe for a setback last week, regardless of the tone and substance of the Fed chief's remarks.

Much of the buying in the brief rally that preceded his testimony came from dealers covering "short" positions, that is, replacing securities they had borrowed and resold on speculation that prices would fall. Most retail accounts stayed on the sidelines or confined their activity to the short end of the maturity range.

Where does the market go from here? With Mr Greenspan's cautionary note, bonds appear vulnerable. With all the short positions driven out, the most likely direction is a downward drift until after the Fed's August 16 meeting.

Traders say an upturn is possible, but unlikely, if economic data over the next month are perceived as causing the Fed policy-makers to delay the move for which Mr Greenspan has laid the groundwork.

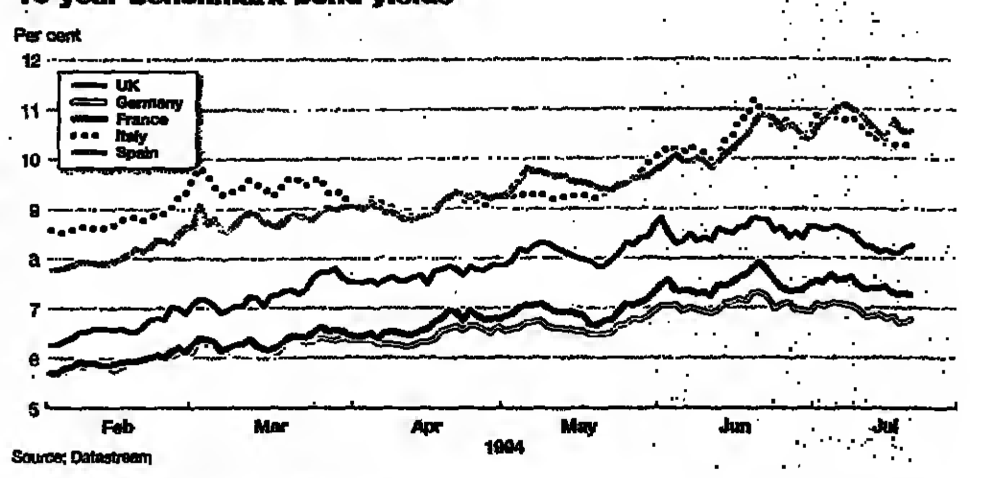
Mr Scott Knous, senior fixed-income analyst at Technical Data of Boston, expects the yield on the benchmark 30-year Treasury to spend the next month near 7.75 per cent, 25 basis points above the recent low of just under 7.50 per cent. He describes the overall tone as "non-committal".

But the market will not confine its perspective to the US economic fundamentals. A further cut in German rates, a dollar rally and a fall in commodity prices would prove supportive, traders say.

The market will need as much help as it can muster, with some \$97bn in fresh supply coming up for auction before the Fed session.

Not everyone is pessimistic about the outlook, even though the Treasury's quarterly refunding operation falls in the middle of the summer doldrums. "I don't think the supply itself will be a problem if the market begins to get some signal that will resolve some of these uncertainties," says Thomas Poor, manager of Scudder's Global Opportunities US Short-Term Income Fund.

10 year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	3.50	1.75	4.50	6.40[1]	7.00	6.25[2]
Overnight	4.13	2.09	4.88	5.31	7.93	4.88
Three month	4.49	2.18	4.81	5.43	8.22	5.18
One year	5.55	2.46	4.96	5.81	9.00	6.00
Five year	6.91	3.68	6.24	6.78	10.60	7.92
Ten year	7.56	4.33	6.64	7.32	11.62	8.28

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	102-25	102-22	-0-01	103-01	102-12	347,665	383,232
Dec	101-30	101-30	-	102-07	101-20	1,516	59,341
Mar	101-12	101-06	-0-01	101-14	100-30	106	4,274

International / Tracy Corrigan and Conner Middelmann

Latin America sector in the doldrums

Among the financial markets which have been battered this year, the Latin American bond markets have suffered more than most.

As a result, the yield spreads available on Brady bonds (created from restructured country debt) and eurobonds relative to the US Treasuries market now appear generous.

"Investors have attractive opportunities for capital appreciation and total return in this asset class," according to Mr Thomas Trebat, head of emerging market research at Chemical Bank in New York.

"From a fundamental standpoint, the market is oversold and undervalues the long-term commitment in Latin America to political and economic reform."

In fact, the spreads available on much of the region's debt have ballooned back to levels last seen several years ago. For example, in Venezuela, the worst performer, par bonds are now trading at 1,475 basis points over the comparable US Treasury yield, compared with 530 basis points at the start of the year.

In recent weeks, the spread on its debt conversion bonds due 2007 has widened to close to 2,000 basis points, from 1,269 points at the beginning of June, as a result of the country's worsening economic and financial situation.

Venezuelan debt is "cheaper now than before the Brady restructuring in 1990, when it was in default and paying no interest," said Mr Aidan Freyne, head of emerging market sales at Salomon Brothers Europe.

"Basically, the market is looking at the possibility of default, though I think that's unlikely," he said.

Even Mexican par bonds, are now trading at a spread of 520 basis points – wider than the level of 430 basis points at the end of 1992 – compared with 230 basis points at the start of the year.

Argentine par bonds are actually trading at a tighter spread now than at the end of 1992, at 730 basis points, compared with 950 basis points. However, the comparison with the start of the year, when the spread stood at 350 basis points, is still stark.

The question for investors is whether current spread levels leave room for the sort of tightening seen in the market in 1992 and 1993. The general view is that such a bull run for Latin American bonds cannot be repeated – and not simply because investors have been badly burnt.

More importantly, the bearish environment for US interest rates is likely to cap the potential performance of Latin American bonds.

"The market is very much overshadowed by the US Treasuries market," said Mr Peter West economic adviser at West Merchant Bank.

"One would have thought that individual countries' stories will provide some room for tightening – for example, Mexico – but at the moment we are in the doldrums. Just because something's cheap doesn't mean it can't go down."

The other factor constraining the performance of the market is the fact that the universe of investors in Latin American bonds has shrunk. Hedge funds and mainstream fund managers who flocked to the market during the bull run have pulled out and are unlikely to return in a hurry.

Political uncertainty has also made investors reluctant to commit funds to these markets. But, according to Mr Freyne, "things should clear up in about three months, when the Mexican elections are out of the way, when we'll have a clearer idea about who will win the Brazilian elections, and when the situation in Venezuela may have improved."

For the moment, however, investor flows are very thin. This has taken its toll on the new-issues sector, where the supply of eurobonds has all but ground to a halt.

The volume of external bond offerings in the second quarter of the year fell below \$1bn per month, according to West Merchant Bank.

Volume in the first half of the year totalled \$8.4bn, mostly concentrated in the first few months before the reversal in the US interest rate cycle. By contrast, for the second half of 1993, volume was close to \$16bn.

The effect of the decline in capital flows to Latin America could be higher domestic interest rates in some countries, as governments and companies are forced to step up borrowing in their own markets, which could, in turn, cause a slowdown in growth.

On the other hand, there are some balancing factors. Rising commodity prices and the strength of the US economy are both positive for these countries.

In the coming months, occasional country-specific news and pauses in the upward trend in US interest rates may allow short-lived rallies in Latin American fixed-rate bonds to take place.

However, in an environment of rising interest rates, investors seeking a low-volatility exposure to Latin American markets may be better off holding floating-rate notes, which have recently outperformed fixed-rate bonds.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Merck & Co.	200	Aug.1997	zero	82.765R	8.509	+5 (6½%-97)	JP Morgan Securities
SNG	1bn	Aug.1999	7.00	99.314R	7.166	+28 (6¼%-99)	Goldman Sachs Intl.
BT Finance	375	Aug.1997	6.50	99.864R	6.544	+15 (6½%-97)	Lehman/ SG Warburg
Federal Home Loan Bk.System	1bn	Aug.1996	6.125§	99.786R	6.240	+10 (WI 2yr)	Lehman/ M. Stanley
MBL Finance(Curacao)(d)★‡	480	Jul.2007	(d1)	100.00	-	-	Mitsubishi Finance Intl.
MBL Finance(Curacao)(i,e)‡	100	Jul.2004	(e1)	100.00	-	-	Mitsubishi Finance Intl.
MBL Finance(Curacao)(f)★‡	200	Jul.2004	(f1)	100.00	-	-	Mitsubishi Finance Intl.
Nestlé Holdings(g)	100	Aug.1997	6.50	100.20R	6.425	+5 (6½%-97)	CS First Boston
Industrial Bank of Korea‡	120	Sep.1997	(b)	100.00	-	-	Bayer. LB Singapore
Empresas ICA(j)‡	75	Aug.1998	(l1)	99.95R	-	-	Merrill Lynch Intl.
Abbey Natl.Treasury Services	250	Aug.1996	6.375	99.843R	6.461	+22 (WI 2yr)	Paribas Capital Markets
YEN							
WestLB Finance Curacao(a)	15bn	Nov.1998	2.95	100.15	-	-	Mitsubishi Finance Intl.
Crogam Finance(d)★	10bn	Feb.1997	3.15	100.00	-	-	Yamaichi Intl.(Europe)
Mitsubishi Corp. Finance(a)	11bn	Nov.1995	2.40	100.22	-	-	Merrill Lynch Intl.
STERLING							
BT(a)	300	Mar.2020	8.625	98.86R	8.743	+37½(8¾-17)	Lehman/ SG Warburg
General Electric Capl.Corp.(a)	100	Dec.1999	8.00	99.50R	8.135	+20 (6%-99)	Goldman Sachs Intl.
Crédit Local de France	100	Dec.1998	8.25	99.83R	8.28	+27 (6%-99)	Goldman Sachs Intl.
Halifax Building Society(a)	200	Dec.1998	8.375	99.638R	8.41	+42 (6%-99)	CS First Boston
D-MARKS							
Asfinag(h)‡	200	Aug.1999	(h1)	99.75	-	-	Commerzbank
CANADIAN DOLLARS							
Ford Credit Canada(f)	100	Aug.1998	9.125	99.615R	9.225	+50 (7¼%-99)	ScotiaMcLeod
General Electric Capl. Canada	100	Aug.2001	9.125	99.48R	9.229	+15 (l)	BZW
Bayerische Vereinsbank	125	Aug.2000	9.125	99.95R	9.136	+22 (7¼%-99)	Wood Gundy
ITALIAN LIRE							
Crédit Local de France	100bn	Sep.1999	10.50	101.67	10.06	-	Credito Italiano
Eurofima	300bn	Sep.1999	10.40	101.58	9.983	-	BNL/C.Italiano/S.Paolo
GUILDERS							
Sara Lee Corp.	200	Aug.1997	6.00	99.65R	6.131	+35 (l)	Rabobank Nederland
VSB Groep	250	Aug.2001	7.00	99.80R	7.037	+40 (6¼%-01)	KBW Effectenbank

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
ECUS							
AT&T(c)	150	Aug.1998	7.25	99.89R	7.283	+8 (7¼%-98)	Swiss Bank Corp.
Eutelsat	75	Aug.1998	7.25	99.90R	7.280	-	Swiss Bank Corp.
AUSTRALIAN DOLLARS							
Export Finance & Ins. Corp.	75	Aug.1997	8.625	101.30	8.119	-	Merrill Lynch Intl.
SBC Australia	100	Aug.1997	8.75	101.065	8.334	-	Swiss Bank Corp.
ESCUDOS							
Eurofima‡	10bn	Aug.2004	(a)	100.00	-	-	BPI
AUSTRIAN SCHILLINGS							
Republic of Argentina	750	Aug.1997	8.00	100.57	7.780	-	Creditanstalt
HONG KONG DOLLARS							
Homes-1, Class A1(k)‡	620	Sep.2003	(k1)	100.00	-	-	Goldman Sachs (Asia)
Homes-1, Class A2(m)‡	280	Mar.2009	(m1)	100.00	-	-	Goldman Sachs (Asia)
Homes-1, Class B(n)‡	100	Oct.2013	(n1)	100.00	-	-	Goldman Sachs (Asia)
SWISS FRANCS							
Dainippon Corp.(a,o)★★§	70	Sep.1998	9.125§	100.00	-	-	Swiss Bank Corp.
Yokogawa Bridge(o)★★◊	100	Aug.1998	0.50	100.00	-	-	Credit Suisse
OKB	300	Sep.2002	5.25	102.75	4.827	-	Swiss Bank Corp.
Abbey Natl.Treasury Services	100	Aug.1998	5.00	102.00	4.443	-	Credit Suisse
Crédit Local de France	250	Sep.1999	5.00	102.00	4.544	-	UBS
LUXEMBOURG FRANCS							
Bayerische Hypobank(s)	2bn	Oct.1999	7.25	102.05	6.757	-	Paribas Luxembourg

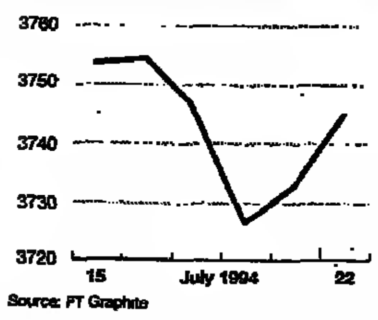
Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. ◊With equity warrants. ★★Private placement. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Conv price: Y1620, FX: 78.30Y/SFr. b) Denom: SFr50,000 +60 wrts. Ex price: Y1640, FX: 78.35Y/SFr. c) Spread relates to French [illegible]. d) Series 1. Callable from 26/7/02 at par. d1) 7½% to 25/7/02 and 6-mth Libor +70bp thereafter. e) Series 2. Callable from 31/7/99 at par. e1) 7¼% to 31/7/99 and 6-mth Libor +60bp thereafter. f) Series 3. Callable from 28/7/99 at par. f1) 7¼% to 28/7/99 and 6-mth Libor +50bp thereafter. g) Issue launched on [illegible] was increased to \$300m. h) Also issued: 2m floor certs at DM0.80 pay 7% less 6-mth Libor. h1) 6-mth Libor +30bp; over 7.3%. i) Over interpolated yield. j) Callable on coupon dates from Aug.96 at par. l1) 3-mth Libor +225bp. k) Average life: 1.2 yrs. k1) 1-mth Hibor +40bp. l) Long 1st coupon. m) Average life: 4.1 yrs. m1) 1-mth Hibor +[illegible]. n) Average life: 8.4 yrs. n1) 1-mth Hibor +60bp. o) 6-mth Libor -15bp. p) 6-mth Libor +30bp. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.

EQUITY MARKETS: This Week

NEW YORK Frank McGurty

Investors leave Wall Street stuck in neutral

Dow Jones Industrial Average



Source: FT Graphite

The second-quarter reporting season is in full swing, but Wall Street is stuck in the summer doldrums. A fresh tide of corporate results will sweep through Wall Street this week, but any positive impact is likely to be limited to a few individual stocks.

Certainly last week's activity suggests as much, despite predictions of a midsummer rally.

If the corporate sector demonstrated its profitability in the face of a steady rise in US interest rates during the first half, the argument went, cash would start flowing back into equities.

In the event, several of the market's bellwethers turned in outstanding performances. Most notably IBM, Motorola and Apple. All handily beat forecasts and were rewarded with big jumps in their share prices. But the buying enthusiasm never spilled over to the technology sector in general. Even worse, Compaq and Intel were hammered in spite of turning in decent quarterly performances.

"The market is stuck in neutral," says Mr Gregory Nie, technical analyst at Kemper Securities in Chicago.

Indeed, investors seemed to be in the mood to nit-pick. Take the case of United Technologies. It posted net income 32 per cent ahead of the year-earlier level and in line with Wall Street's expectations. But analysts cited concerns over tight margins in its automotive components arm and other details of the report. By the end of the day, the stock was marked down 6 per cent.

General Motors and Ford lead the list of big companies set to unveil their results this week. Both are expected to come in at the high end of expectations, but their stocks may not fare so well. Ten days ago, shares in Chrysler dipped even though the company posted record profits. Investors are concerned thet the recovery in motor vehicles has already passed its peak.

The recent data suggests economic growth is moderating, but the stock market was reminded last week that the Federal Reserve's policy-makers were not away on summer holiday. With Mr Alan Greenspan hinting that interest rates may need to be lifted before autumn, the wait-and-see posture assumed by many equity investors is likely to be sustained at least until after the Fed's August 16 policy-making session.

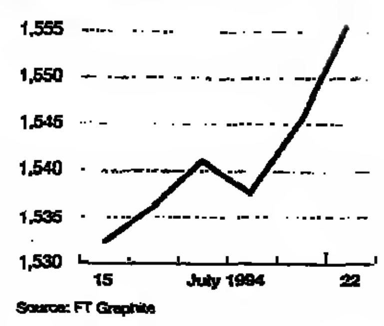
To complicate the picture, technical conditions in the market are not favourable, with the relationship between advancing stocks and their volumes to declining stocks and their volumes approaching what analysts describe as an "overbought" position.

"We could easily go sideways for quite some time, with outside risk we could alip into a second leg of a correction," warns Mr Nie. "Playing your cards close to your vest makes sense in the near term."

LONDON Terry Byland

UK back on course for the recovery

FT-SE-A All-Share index



Source: FT Graphite

There is a heady feeling of "Christmas in August" in the stock market, as signs that the worst may be over for the dollar have invited investors in the UK market to celebrate growing evidence of strong and accelerating economic growth and subdued inflation.

The next round of corporate results, still more than a month away, is likely to bring further gains in dividends and earnings. This week brings little for markets to worry about, with the latest industrial trends survey from the Confederation of British Industries expected to confirm market confidence. And both the Federal Reserve and the Bundesbank have now wound down for the summer holidays.

No wonder one leading analyst refers to the current UK economic experience as "something of a Golden Age", even if he admits that a more negative interpretation is that the current scenario may not be all that different from previous cyclical recoveries.

The FT-SE 100 Index is now around 9 per cent up from the low points touched at the end of last month, so it is not surprising that some of the technical chartists are becoming nervous. Derivative Securities, the futures technicians, regard FT-SE 3,135 as a "still valid" ceiling for the market at present, although the firm is not advising clients to sell just yet. Overbought markets, which Derivative Securities judges this one to be, can persist in that state for some time when the underlying mood is confident.

For the true bear case, on the global as well as UK markets scale, nervous investors must turn to Nomura Securities, which continues to express caution on equities because it believes that stronger than expected economic growth leads to higher than expected inflation and interest rates – casting doubts over the widespread optimism for corporate earnings growth.

There is some support from other securities houses for Nomura's fears that the dollar remains vulnerable. "We are still not entirely convinced . . ." says NatWest Securities. But most London-based analysts stress that last week's renewed uncertainties over the dollar and near-term prospects for US interest rates have failed to restrain bond or equity markets in Europe.

De-coupling, in fact, appears to be here at least. Mr Albert Edwards at Kleinwort Benson believes there is no reason why US growth and inflation should affect non-US markets "other than in a marginal and sentimental manner".

However, in spite of the general euphoria, there is still no rush by City analysts to upgrade UK market forecasts for the year. After a very difficult, and often painfully expensive, first half to 1994, the mood is that the market is back on course for the recovery thwarted so far this year by the savage collapse in bond markets.

International offerings / **Antonia Sharpe**

Foreign buyers gear up for German privatisations

For years, the chance to get a significant slice of Germany's untold wealth of companies has been an impossible dream for international investors because of the labyrinthine cross-holdings and the stakes which are held by the country's biggest banks and companies or by the state.

But the ever-stronger need for capital, which can no longer be met exclusively by Germany's banking sector or, in the government's case, by the bond market, is causing these corporate edifices to dismantle.

"The big companies and banks now realise that they have to move with the times and they are starting to use the equity market more fully to satisfy the requirements of capital," says Mr John St John, director of equity capital markets at Kleinwort Benson in London.

As far as the state is concerned, a considerable slug of its assets has already been sold off in receot years but more privatisations are expected in the next year. International investors are gearing up for a further tranche of shares in Lufthansa, the national airline, which is scheduled to come up for sale in early autumn.

In May, the government approved plans for the progressive privatisation of Lufthansa and promised to reduce its stake in a first step from 51.4 to 38 per cent by not participating in a rights issue. Bankers forecast that Lufthansa will receive up to DM2bn of new capital from the operation.

They also believe Lufthansa will not offer the shares to US investors, by way of a 144a offering, to limit the risk of excessive foreign ownership which could jeopardise its national flag carrier status. A second tranche to dispose of the entire state shareholding could be sold before the end of 1995.

However, the government's long-awaited privatisation of Deutsche Telekom, Germany's telecommunications company, is expected to be a truly global affair with the "book-building" process, internationally acknowledged as an efficient way of getting the best price by flushing out all potential buyers, playing a central role.

Market valuations of the company range from DM60bn to DM100bn, which suggest that the sale of the first tranche of the shares could yield between DM15bn and DM20bn. But investors are likely to have to wait until late 1995 or even 1996 before the shares come up for sale.

Meanwhile, the need for capital, either to plug holes in public finances or to pay for long-term social infrastructure programmes, is compelling the west German Länder (states) and cities to join in the privatisation drive.

Ms Ingeborg Elisabeth Buhl at Deutsche Bank Research in Frankfurt saya that, although several Länder substantially reduced the number of their holdings in the 1980s, the value of their assets has risen appreciably in the last decade.

"Privatisation has enormous potential at Länder level," says Ms Buhl, though she points out that state interests in shoring up regional industrial locations and jobs could slow this process.

Nevertheless, there are overwhelming signs that the Länder now regard privatisation as the solution to their financial needs. Bavaria has already conducted several privatisations and the next on the agenda is the sale of its 33.S per cent share in Rhein-Main-Donau, the company operating the canal linking Germany's two main rivers with the Danube.

Meanwhile, Baden-Württemberg plans to sell off loss-making operations, including its world-famous spas.

The wind of change is also blowing through the boardrooms of several of Germany's big conglomerates, which are seriously considering the sale of non-core businesses.

OTHER MARKETS

FRANKFURT

Worries about tomorrow's results from Deutsche Bank and Commerzbank made for nervous trading in the sector at the end of last week, *writes John Pitt*.

Nevertheless, taken as a whole, the country's banking sector remains attractive to a number of brokers.

Paribas Capital Markets expects the sector to outperform the market over the next six months, following a period of underperformance – over the past year banks have lagged behind by 12 to 18 per cent

"Over the last six months, sentiment has suffered from adverse publicity concerning the banks' involvement in various scandals," said Paribas.

It rated Deutsche a buy, arguing that the Metallgesellschaft and Schneider involvements were likely to prove "special cases in the German recession, rather than the rule".

AMSTERDAM

Equities have managed to remain resilient to the turbulence in Europe over recent months. With the reporting season dne to begin next week – DSM results are expected on August 3 – it is possible that strength will be maintained. However, Kleinwort Benson forecast last week that it was difficult to see the market continuing to outperform the rest of Europe.

"The limited cyclicality of the index and the fact that only a modest economic recovery is expected in Holland is likely to become a drag on performance," it said.

Maintaining a neutral weighting, Kleinwort's noted that the expected strong growth in corporate earnings had already been discounted.

"We remain of the opinion that the current enthusiasm for the market's defensive qualities will be short-lived, as investors are likely to turn their attention towards more cyclically geared markets in the coming months," it said.

MILAN

Investors will be hoping for a calmer atmosphere after last week's political and budgetary excursions. However, Merrill Lynch warned clients last week that the row over limiting magistrates' powers was unlikely to be the last time that the government stumbles, given its lack of political experience: it did not bode well for its chances of forcing through economic reforms.

Nevertheless, some brokers are positive on the short-term outlook, noting that August is traditionally a strong account as local investors use summer salary bonuses to build portfolios.

MADRID

With renewed optimism about the economic outlook underpinning the market last week, the focus in the coming week will be interims from Santander and BCH. UBS recommends the banking sector, saying that sentiment is set to improve as second-quarter results are left behind, which will lead to increased focus on the banks' cheap fundamentals.

TOKYO

Uncertainty over the yen's strength is expected to weigh on prices this week, in spite of signs of economic recovery, *writes Emiko Terazono*.

With the market finding buyers around 20,000-20,500 levels on the Nikkei index, and potential sellers around 21,000, prices fluctuated in a narrow range last week.

However, analysts point out that the yen's strength has yet to be factored into share prices.

Although last week's Bank of Japan quarterly economic outlook was optimistic and many of the economic figures to be released this week are expected to indicate a pick up in activity, there is still a risk to growth from currency movements.

Barclays de Zoete Wedd reckons a 5 per cent currency appreciation cuts GDP growth by 50 basis points.

HONG KONG

Domestic issues are set to command greater interest over the coming weeks, as the interim reporting season unrolls and a signal on the state of the colony's property market is delivered at tomorrow's land auction, *writes Louise Lucas*.

Brokers say fears of a US interest rate rise have now been largely discounted and a clutch of good results from the corporates and a show of healthy demand at the land auction stand to nudge the Hang Seng index upwards.

Turnover is likely to remain above the lows of around HK$2bn witnessed earlier in the month.

The land to be offered for sale is not considered by analysts to be especially good, but the auction itself will be the first since May 26 – when developers bid together in big consortia to secure two parcels of land at prices markedly lower than market expectations.

The government last week adopted a mild set of measures aimed at preventing a recurrence.

Companies due to report their results this week include Wheelock, the Hong Kong corporate empire of the late Sir Yue-kong Pao, which will announce its finals on Thursday.

Compiled by Michael Morgan

EMERGING MARKETS: This Week

The Emerging Investor / **Patrick McCurry**

Brazil's stock market hopes ride on the real

The long-awaited arrival of Brazil's new currency, the real, could prove the launching pad for a soaring stock market. Inflation is expected to fall dramatically, helping the financial markets' preferred presidential candidate, Mr Fernando Henrique Cardoso, and possibly paving the way for longer-term economic reforms.

But the continuing political uncertainties surrounding the October elections and an overvaluation of the new currency have so far prevented a large capital inflow. The real, which is linked to Brazil's foreign exchange reserves of nearly $40bn, was introduced on July 1 and should result in a fall in monthly inflation from 50 per cent in June to less than 10 per cent this month.

Local investors are betting that the real, which is part of a government anti-inflation plan, will lead to the election of Mr Cardoso, the former finance minister who negotiated the plan through Congress. Mr Cardoso, who is regarded by the financial markets as a modernist, has been trailing Mr Luiz Inácio Lula da Silva of the left-wing Workers Party in the opinion polls, although the gap has narrowed significantly since the real was introduced.

"A lot of investors are not afraid of Lula but of the reaction to him," says Mr George Rexing, a director at the Brazilian bank Banco Indusval, referring to estimates that the market could suffer a short-term fall of 50 per cent or more if Mr da Silva were to win.

Nevertheless, the relatively smooth introduction of the real, coupled with a stronger showing in the polls for Mr Cardoso, has lifted Sao Paulo'a volatile stock market index by about 11 per cent so far this month. The bullish scenario sees a huge fall in monthly inflation, to between 2 and 5 per cent from August onwards, and a grateful electorate voting for Mr Cardoso in a second ballot in mid-November.

If Mr Cardoso were to carry out radical reforms to public finances, analysts believe shares could more than triple in value during his presidency.

They base the prediction on equities' growth in other countries where fiscal reforms have been made such as Mexico, Argentina and Chile. Currently, Brazil's stock market capitalisation represents about 25 per cent of gross domestic product compared with about 50 per cent for Mexico.

Even without reforms the Brazilian market has shown impressive, if volatile, growth in the past. Last year the main Sao Paulo index doubled in dollar terms, partly fuelled by a net overseas inflow of $5.5bn to the capital markets. The potential for Brazilian equities has attracted the interest of many foreign investors, but most have not yet decided to take the plunge because of the political uncertainty.

According to Mr Julius Buchenrode, head of investments at Chase Manhattan's Brazilian subsidiary, there has been a big increase in recent months in registrations with the bank from foreign, mainly US, mutual funds, pension funds and trusts.

Another worry among foreigners has been an overvaluation of the new currency. The central bank, which has not intervened at all in the foreign exchange market since the first day of the real, has let the currency appreciate on the open market by 7 to 8 per cent, roughly reflecting the interest rate differential between Brazil and international markets.

The result of the overvaluation has been that shares are now more expensive in dollar terms and there is some exchange rate risk for foreign investors entering the market as most analysts expect the dollar to revalue as Brazilian interest rates fall. Before the real, the central bank devalued the cruzeiro on a daily basis in line with inflation.

The exchange rate risk has contributed to keeping overseas investors out of the market and the climb in equities this month has been caused almost entirely by local investors, brokers say.

The overvaluation could hit exporters. Most of the big exporters closed contracts before the real but smaller companies will suffer, according to Mr Ricardo Gallo, a director at Bank of Boston's Sao Paulo office.

Another sector that could come under pressure is the banks. They could suffer redneed third-quarter results as they will no longer be able to make easy profits from interest-free floats. However, the fall in inflation should be partly offset by the introduction of charges for many services.

Shares that could prove attractive are those related to consumer spending. Purchasing power among the poor, who did not have access to inflation-linked savings accounts, is expected to increase substantially and could boost profits in the food, drink and clothing sectors.

If a Cardoso election victory appeared probable, investors could start to bring more dollars into the market. But this would spark central bank concerns about money supply targets as the bank would have to issue reals in exchange for dollars, putting pressure on the monetary base, widely regarded as the key to the success of the real.

If it got out of hand, the government could attempt to deter a large inflow of foreign capital by a financial operations tax on foreign investment in equities. Currently there is just a 15 per cent withholding tax on dividends.

Ten best performing stocks

Stock	Country	22/7/94 $ close	Week on week change $	%
Guoco Holdings Philipines	Philippines	0.1727	0.0252	17.11
Philipine National Bank	Philippines	17.2676	2.3337	15.63
Southern	Peru	4.3488	0.5447	14.32
Banco Do Brasil (Pfd)	Brazil	0.0224	0.0027	13.52
Minsur	Peru	7.7960	0.9103	13.22
Kordosa	Turkey	0.4269	0.0472	12.44
Ayala Land (B)	Philippines	1.1006	0.1176	11.96
Banco Bradesco (Pfd)	Brazil	0.0074	0.0007	10.70
Buenaventura (C)	Peru	3.2559	0.2946	9.95
Telefonos	Peru	3.8707	0.3387	9.59

Source: Baring Securities

Egyptian market set to expand

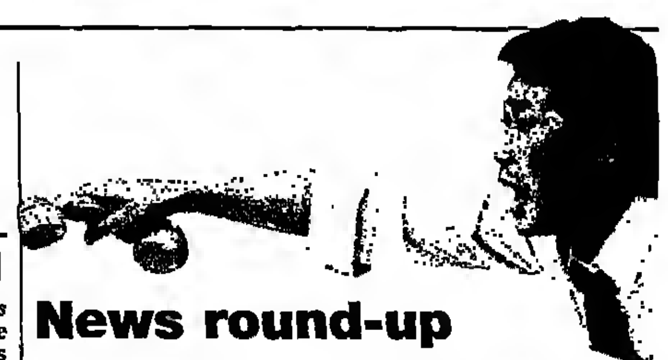
Egypt'a illiquid stock market is in for a relative bonanza, *writes Mark Nicholson in Cairo*. Some five public sector companies are set to float shares by the end of the year under the government's privatisation programme – moves which should more than double the number of actively traded stocks on the exchange.

Although Cairo's bourse lists 674 companies, only 20 or so trade actively and only two or three, including Suez Cement and Commercial International Bank, resemble anything like "alpha" stocks.

But next month – the launch date remains to be set – Ameriya Cement Company should join this elite. The government Holding Company for Metallurgical Industries is to float 4m of Ameriya's 20m shares in an issue which local brokers say is already oversubscribed by orders from local investors and international emerging market funds.

Shares will be floated in two tranches: the first 2m shares, open only to individual investors with a cap of 5,000 shares per applicant; and the second 2m open to institutional investors some six months later. A further 2m shares will be sold to the company's Employee Share Ownership Association.

Banque Misr, the bank handling the sale, has not announced a price, but brokers expect E£27 a share ($8). Management of Ameriya, regarded as one of Egypt's most efficient public sector companies, has already promised to pay a E£3 per share dividend in December based on earnings so far this fiscal year. One of Egypt's newest broking companies says it already has 5m orders for the stock, most from overseas emerging market funds.



News round-up

■ Jakarta

Jarkata's stock market has been a laggard this year with the index dipping 24 per cent in the first six months after climbing over 100 per cent last year, but Indonesia's capital markets are likely to head for a drastic transformation over the next few years, *writes Maneula Saragosa in Jakarta*.

At the sixth annual Pacific Basin capital markets conference, held in Jakarta this month, President Suharto noted that the government needed $330bn for its current five year development plan, and that some 73 per cent of that had to come from the private sector.

The main test of the government's commitment to developing the capital markets hangs on abolishing the 49 per cent ceiling on foreign ownership of listed companies. A similar ceiling for direct foreign investment has already been lifted.

Some brokers say the ceiling could be lifted as soon as ministers return from a global roadshow. Others are sceptical. "I have been here for three years and I have been hearing these promisea for three years," one said. "In any case, it will end up as a typical Indonesian consensus. The 49 per cent ceiling will be lifted for initial public offerings but will not change in the secondary market."

There are however pressing reasons why the government should lift the ceiling: Indosat, the state-owned telecommunications company, will be privatised later this year and the future of other planned privatisations could depend on its success.

Indosat will sell up to $500m worth of shares on the domestic exchange, and as much as $1bn worth in New York. "There is real concern about how Indosat will place this amount on the domestic market," said a broker. "If it is not a success the whole privatisation plan could go on the back burner again."

■ Poland

The Warsaw bourse will start daily trade from October 1, by adding a session on Fridays. The stock exchange has been trading four times a week since the beginning of July.

● Emerging markets coverage appears daily on the World Stock Markets page

CURRENCIES Philip Gawith

Dollar stays focus of market attention

With the Bundesbank having set out its stall for the summer, attention this week will revert to US monetary policy, with the focus on the second quarter GDP figure due for release on Thursday.

The market will also be monitoring the dollar, to see whether last week's recovery was simply a technical retracement, or heralds a turnaround in the US currency's fortunes.

Last week was characterised by a number of senior US officials pledging their belief in the virtues of a stronger dollar. Mr Lloyd Bentsen, the treasury secretary, and his deputy Mr Larry Summers, were both prominent.

Markets were also surprised by the degree of attention Mr Alan Greenspan, the Fed chairman, gave to the dollar during his Humphrey Hawkins testimony.

The next step will be to see whether the words will be supported by action, in the form of higher interest rates.

With most analysts having proven too bullish in the past, they are understandably cautious about predicting that the worst of the dollar's woes are past. There is general agreement, though, that its prospects are better against the D-Mark than the yen, where the trade talks remain a potentially destabilising threat.

Investora, however, appear to be more bullish about prospects. Mr Steve Hannah, head of research at IBJ International in London, says a recent client survey showed that most clients believe the dollar will be at DM1.65/1.70 by the year end.

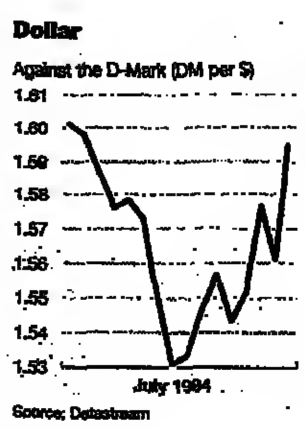
Long term dollar bears, however, remain unrepentant. Swiss Bank Corporation, in its latest currency outlook, warns investors not to get carried away by the dollar rally. "The long-term weakness of the US dollar is likely to persist," SBC concludes, suggesting that financial markets will start buying European currencies later this year.

In the UK the chancellor, Mr Kenneth Clarke, and Bank of England governor, Mr Eddie George, meet to discuss monetary policy on Thursday.

There is little expectation of a near-term change in rates.

Dollar

Against the D-Mark (DM per $)



Source: Datastream

Baring Securities emerging markets indices

Index	22/7/94	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (288)	157.25	-1.65	-1.04	5.51	3.63	-11.18	-6.63
Latin America							
Argentina (20)	102.86	-4.92	-4.56	-0.34	-0.33	-12.52	-10.85
Brazil (22)	174.86	0.05	0.03	30.40	21.04	35.21	25.21
Chile (12)	179.97	-5.02	-2.71	-4.39	-2.38	32.43	21.98
Mexico (26)	129.40	-2.53	-1.91	-2.89	-2.19	-31.86	-19.76
Peru(16)	701.53	46.17	7.04	-14.42	-2.01	125.44	21.77
Latin America (96)	143.96	-2.32	-1.58	6.23	4.52	-5.28	-3.54
Europe							
Greece (13)	80.00	-1.96	-2.39	1.48	1.88	-3.10	-3.73
Portugal (16)	109.52	-1.72	-1.55	8.53	8.44	-2.60	-2.32
Turkey (20)	78.82	-8.63	-9.86	1.28	1.65	-82.89	-51.26
Europe (49)	92.85	-3.16	-3.29	4.64	5.27	-19.39	-17.28
Asia							
Indonesia (22)	140.99	0.02	0.02	7.33	-4.95	-30.05	-17.57
Korea (23)	127.67	-1.08	-0.84	-0.62	-0.48	17.97	16.38
Malaysia (23)	209.85	-2.77	-1.30	-1.77	-0.84	-43.20	-17.07
Pakistan (10)	112.23	-0.12	-0.11	-2.68	-2.33	0.54	0.49
Philippines (11)	270.08	17.05	6.74	0.08	0.03	-52.39	-18.25
Thailand (24)	233.25	0.96	0.41	13.46	6.12	-30.30	-11.50
Taiwan (30)	164.79	0.25	0.15	15.90	10.68	11.08	7.21
Asia (143)	200.60	0.07	0.03	4.49	2.29	-20.81	-9.40

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 22 / Sch)

BELGIUM/LUXEMBOURG (Jul 22 / Frs.)

DENMARK (Jul 22 / Kr)

FINLAND (Jul 22 / Mkk)

FRANCE (Jul 22 / Frs.)

GERMANY (Jul 22 / Dm.)

NORWAY (Jul 22 / Kroner)

SPAIN (Jul 22 / Pta.)

SWEDEN (Jul 22 / Kronor)

SWITZERLAND (Jul 22 / Frs.)

ITALY (Jul 22 / Lire)

NETHERLANDS (Jul 22 / Fls.)

PACIFIC

JAPAN (Jul 22 / Yen)

HONG KONG (Jul 22 / H.K.$)

MALAYSIA (Jul 22 / MYR)

SINGAPORE (Jul 22 / S$)

AUSTRALIA (Jul 22 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Jul 22 / Can $)
4 pm close

MONTREAL (Jul 22 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Jul 22 / Rand)

52415	AmBarr	32⅞	−⅛	$33⅝	32⅝	20500	PhilSn	0⅛
203650	AtcoCl	14		$14	13¾	248840	PlDome	28⅞
39700	Avenor	22⅛	+⅛	$22⅛	21⅞	23075	PowrCp	19¾
43800	BCSugA	7⅞	−⅛	$7⅞	7⅞	2168	PowrFn	29⅞
24293	BC Tel	23⅞		$24	23¾	84600	RayrkY	16½
369038	BCE	46⅞	−⅛	$47	46⅝	500	RelandS	16½
801	BCE Mb	37		$37	36¾	300	Rothmn	77
4900	BGR A	15⅞	+⅛	$15⅞	15⅛	15590	RngOB	8⅞
3700	Bmtswk	10⅞	+⅛	$10⅞	10⅞	770	ReadSt	27⅛
305973	BkMont	23½	+⅛	$23⅝	23⅛	94284	Rent En	29⅞
421215	BkNovS	24⅞	−⅛	$25⅛	24⅛	98200	Repap	475
29565	BarricEx	232	−3	236	231	494300	Rigel	19
28492	BmbdrB x	20⅝	+⅛	$20⅝	20⅛	8200	RioAlg	23⅞
475095	BowVal	15⅛	+⅛	$15¼	15⅛	162844	RogCntB	19¾
1130500	Bmlea	21		21½	d20	522517	RoyBkC x	27⅞
10800	BracnA	19⅛		$19⅛	19	24275	RoyOak	5⅞

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Friday, July 22, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Oil	6.4m	1150	−30	Hitachi	3.6m	1000	−10
Komatsu	5.5m	939	−6	Kiyo Bank	3.1m	941	+7
Mitsubishi Elec	3.8m	699	+1	Sumitomo Metal	2.7m	292	−1
Mitsubishi Hvy	3.8m	784	−9	Tokyo Gas	2.6m	472	−10
Nippon Oil	3.8m	753		Fujitsu	2.5m	1050	−20

INDICES

	Jul 22	Jul 21	Jul 20	1994 High		1994 Low	
Argentina							
General (29/12/77)	18909.86	18651.87	18614.53	25470.40	16/2	17798.90	20/4
Australia							
All Ordinaries(1/1/80)	2052.5	2049.2	2078.6	2340.60	3/2	1957.40	27/6
All Mining(1/1/80)	1015.8	1015.3	1029.8	1136.10	3/2	904.60	5/5
Austria							
Credit Aktien(30/12/84)	412.59	412.48	412.73	460.66	2/2	390.97	22/6
Traded Index(2/1/91)	1077.15	1073.55	1075.96	1222.25	1/2	1011.39	6/6
Belgium							
BEL20 (1/1/91)	1433.06	(c)	1428.51	1642.66	9/2	1383.98	13/7
Brazil							
Bovespa (29/12/83)	39666.0	40165.0	40386.0	40799.00	15/7	3800.90	3/1
Canada							
Metals Minls♦(1975)	3836.63	3840.48	3829.65	3979.59	18/3	3299.06	20/4
Composite♦ (1975)	4176.20	4172.60	4181.74	4606.90	23/3	3958.90	24/6
Portfolio§§ (4/1/83)	1952.19	1949.27	1953.17	2182.89	1/2	1053.17	20/7
Chile							
IPSA Gen (31/12/80)	4249.6	4301.2	4306.2	4867.80	4/2	3901.20	4/4
Denmark							
CopenhagenSE(3/1/83)	377.79	374.80	373.50	416.79	2/2	358.60	22/6
Finland							
HEX General(28/12/90)	1834.0	1816.6	1817.6	1972.00	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1358.34	1362.65	1358.66	1585.26	2/2	1285.36	4/7
CAC 40(31/12/87)	2041.41	2053.78	2043.72	2355.93	2/2	1969.18	4/7
Germany							
FAZ Aktien(31/12/58)	808.23	800.58	804.24	899.27	18/5	767.81	27/6
Commerzbank(1/12/53)	2300.0	2278.4	2289.2	2465.50	2/5	2149.30	27/6
DAX (30/12/87)‡	2150.26	2113.30	2138.65	2271.11	18/5	1959.82	20/6
Greece							
Athens SE(31/12/80)	829.71	826.84	830.91	1194.58	18/1	806.67	25/5
Hong Kong							
Hang Seng(31/7/64)	9162.99	9117.56	9188.62	12201.09	4/1	8369.44	4/5
India							
BSE Sens.(1979)	4103.3	4104.4	4110.6	4332.90	20/6	3464.09	5/1
Indonesia							
Jakarta Comp.(10/8/82)	459.07	461.14	462.54	612.88	5/1	440.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1826.85	1821.22	1826.28	2082.16	20/1	1694.14	1/7
Italy							
Banca Comm Ital (1972)	730.45	720.11	716.50	817.17	10/5	565.65	10/1
MIB General (4/1/94)	1180.0	1163.0	1157.0	1318.00	10/5	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	20462.69	20622.92	20780.78	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	296.53	299.55	302.22	311.71	13/6	258.22	4/1
Topix (4/1/68)	1637.66	1651.98	1665.49	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2486.10	2508.57	2531.55	2542.85	6/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1000.46	996.36	1009.72	1314.46	5/1	928.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2232.81	2210.85†	2881.17	8/2	1957.33	20/4
Netherland							
CBS TtlRtnGen(End 83)	429.1	425.6	423.8	464.80	31/1	408.30	21/6
CBS All Shr (End 83)	272.4	270.1	269.0	294.80	31/1	257.90	21/6
New Zealand							
Cap. 40 (1/7/86)	2028.27	2036.20	2054.94	2439.64	3/2	1945.51	11/7
Norway							
Oslo SE(Ind)(2/1/83)	1119.74	1114.52	1106.81	1211.10	20/2	980.81	21/6
Philippines							
Manila Comp (2/1/85)	2708.15	2648.54	2683.46	3308.37	4/1	2507.83	9/3
Portugal							
BTA (1977)	2732.9	2736.6	2745.4	3225.60	18/2	2612.80	20/6
Singapore							
SES All-S'pore(2/4/75)	551.43	551.65	554.09	641.81	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	2047.0♥	2084.0	2113.0	2381.00	4/1	1748.00	14/2
JSE Ind. (28/9/78)	6374.0♥	6384.0	6359.0	6757.90	15/6	5449.00	19/1
South Korea							
KoreaCmpEx(4/1/80)**	939.09	935.35	936.67	974.28	2/2	855.37	2/4
Spain							
Madrid SE (30/12/85)	307.05	304.34	304.40	358.31	31/1	291.43	6/7
Sweden							
AffarsvarldnGen (1/3/37)	1465.7	1445.20	1445.30	1603.90	31/1	1334.70	6/7
Switzerland							
Swiss Bk Ind (31/12/58)	1211.61	1198.41	1187.86	1423.34	31/1	1187.97	18/7
SBC General (1/4/87)	924.44	917.28	912.81	1093.29	31/1	888.18	13/7
Taiwan							
WeightedPr.(30/6/66)**	6496.60	6577.70	6474.30	6577.70	21/7	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	1348.06	1342.01	1363.59	1753.73	4/1	1198.59	4/4
Turkey							
Istanbul Corp.(Jan 1986)	21451.9	21332.49	21717.6	26883.60	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)$	623.0*	625.9	628.0	641.00	1/2	591.80	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1387.40	1371.54	1367.56	1540.19	31/1	1303.48	21/6
Euro Top-100 (26/6/90)	1211.61	1201.65	1198.89	1311.81	2/2	1143.06	21/6
JCapelDrgns (31/12/88)	(u)	311.91	313.89	385.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	187.25	157.09	157.55	182.72	14/2	141.65	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Jul	2073.0	2053.0	-12.0	2085.0	2052.0	25,370	31,676
Aug	2083.5	2061.0	-12.5	2091.0	2062.0	-	2,293
Sep	2091.5	2089.5	-12.0	2100.0	2089.0	2,852	26,318

Open interest figures for previous day

** Sat July 16: Taiwan Weighted Price (c) ; Korea Comp Ex 949.73. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 26 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jul 22 - 2148.23 +21.48

US INDICES

Dow Jones	Jul 22	Jul 21	Jul 20	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3735.04	3732.45	3727.27	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.51	97.55	97.61	105.61 (21/1)	96.43 (13/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1606.58	1597.84	1595.31	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	183.10	182.16	182.84	227.06 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3765.15 (3763.20) Low 3707.19 (3694.96) (Theoretical♦)
Day's high 3742.48 (3744.10) Low 3724.35 (3714.84) (Actual♦)

Standard and Poors	Jul 22	Jul 21	Jul 20	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	453.11	452.61	451.60	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	528.65	527.61	526.43	560.59 (2/2)	510.05 (21/4)	560.59 (2/2/94)	3.62 (21/6/32)
Financial	44.60	44.60	44.51	48.94 (14/6)	41.39 (4/4)	48.46 (28/9/93)	3.64 (1/10/74)
NYSE Comp.	250.24	250.06	249.70	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	433.46	433.24	433.00	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	716.67	715.03	712.77	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jul 15	Jul 8	Jul 1	Year ago
Dow Jones Ind. Div. Yield	2.71	2.74	2.79	2.95
	Jul 20	Jul 13	Jul 8	Year ago
S & P Ind. Div. yield	2.46	2.47	2.49	2.56
S & P Ind. P/E ratio	23.07	22.93	22.72	24.89

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	453.30	453.50	+0.20	454.60	452.30	49,587	203,436
Dec	456.35	456.00	+0.20	457.00	454.95	282	12,501
Mar		458.60	+0.25	460.35	458.25	5	2,846

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonica	8,120,200	41½	+¼
McDonalds	5,865,200	25¾	-2
Compaq	5,213,700	30⅝	-1
Telefonos	4,183,700	57⅛	+1⅛
IBM	3,710,300	31⅞	-1
Humana	3,653,700	18⅝	+¾
Chase Man	3,364,100	37½	+⅜
Citicorp	3,210,500	40⅛	-¼
PNC Bank	2,584,100	26¾	+¼
K Mart	2,354,100	16⅜	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Jul 22	Jul 21	Jul 20
New York SE	281.054	284.295	287.750
Amex	15.019	15.211	13.026
NASDAQ	(u)	275.710	271.374
NYSE			
Issues Traded	2,838	2,834	2,814
Rises	1,094	987	727
Falls	965	1,090	1,394
Unchanged	779	757	693
New Highs	35	33	31
New Lows	59	65	48

1 Correction. * Calculated at 16.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

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AXA Equity & Law Unit Tst Mngrs (1200)R

Capital House Unit Tst Mgrs (1200)F

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Fleming Private Fund Mngt Ltd (1200)F

Foreign & Colonial Unit Mgt (1200)F

Granville Unit Tst Mngmt Ltd (0830)F

Guardian Royal Ex Unit Mgrs Ltd (1000)F

Pointon York UT Mngrs (0800)F

Portfolio Fund Management Ltd (0800)F

Prudential Life Unit Tst Mngrs Ltd (1400)F

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

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Other explanatory notes are contained in the last column of the FT Managed Funds Service.

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Morgan Grenfell Profunds Plc

Gartmore Fund Mngrs Intl Ltd

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JERSEY (REGULATED)(**)

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LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Jul 22		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1795	+0.1171	729 - 861	17.2059	18.8880	17.1752	0.3	17.1833	0.4	-	-	114.4
Belgium	(BFr)	50.1779	+0.326	391 - 167	50.5460	49.9130	50.1729	0.1	50.2179	-0.3	50.2179	-0.1	116.1
Denmark	(DKr)	9.5634	+0.0465	603 - 665	9.6299	9.5069	9.5704	-0.9	9.5855	-0.9	9.6304	-0.7	116.7
Finland	(FM)	8.0559	+0.0274	469 - 648	8.1180	8.0210	-	-	-	-	-	-	82.1
France	(FFr)	9.3403	+0.0339	382 - 424	8.3885	8.2856	8.3437	-0.5	8.3481	-0.4	8.2906	0.1	109.5
Germany	(DM)	2.4379	+0.0148	367 - 390	2.4575	2.4224	2.4375	0.2	2.4366	0.2	2.4158	0.8	125.2
Greece	(Dr)	368.542	+2.388	329 - 755	371.092	368.185	-	-	-	-	-	-	-
Ireland	(I£)	1.0143	+0.0009	135 - 151	1.0266	1.0105	1.0147	-0.5	1.0155	-0.5	1.019	-0.5	104.2
Italy	(L)	2420.24	+2.33	904 - 143	2441.04	2406.90	2426.94	-3.3	2439.09	-3.1	2492.34	-3.0	76.2
Luxembourg	(LFr)	50.1779	+0.326	391 - 167	50.5460	49.9130	50.1729	0.1	50.2179	-0.3	50.2179	-0.1	116.1
Netherlands	(Fl)	2.7956	+0.017	347 - 364	2.7513	2.7181	2.7351	0.2	2.7337	0.3	2.713	0.8	120.1
Norway	(NKr)	10.6254	+0.0429	221 - 286	10.7136	10.5658	10.6224	0.3	10.6329	-0.3	10.6138	0.1	88.3
Portugal	(Es)	249.973	+1.051	779 - 166	252.281	248.535	251.703	-8.5	254.883	-7.9	-	-	-
Spain	(Pta)	201.033	+1.158	923 - 142	202.087	199.885	201.478	-2.7	202.538	-2.6	205.316	-2.1	85.4
Sweden	(SKr)	11.9800	+0.0192	723 - 877	12.0788	11.9170	12.0015	-2.2	12.052	-2.4	12.2725	-2.4	73.5
Switzerland	(SFr)	2.0658	+0.0194	647 - 669	2.0772	2.0495	2.0643	0.9	2.0611	0.9	2.037	1.4	119.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.1
Ecu	-	1.2745	+0.0065	739 - 751	1.2829	1.2674	1.2754	-0.8	1.2766	-0.7	1.278	-0.3	-
SDR†	-	0.943508	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5258	-0.01	254 - 261	1.5407	1.5199	-	-	-	-	-	-	-
Brazil	(R)	1.4317	-0.0005	299 - 335	1.4340	1.4290	-	-	-	-	-	-	-
Canada	(C$)	2.1055	-0.0134	047 - 062	2.1252	2.0962	2.107	-0.8	2.1107	-1.0	2.1377	-1.5	86.2
Mexico	(New Peso)	5.2014	-0.0312	980 - 047	5.2493	5.1870	-	-	-	-	-	-	-
USA	($)	1.5280	-0.0095	277 - 282	1.5430	1.5220	1.5273	0.5	1.5264	0.4	1.523	0.3	63.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0613	-0.0298	603 - 623	2.0911	2.0540	2.0613	0.0	2.0626	-0.3	2.0807	-0.9	-
Hong Kong	(HK$)	11.8048	-0.0727	021 - 075	11.9184	11.7680	11.8008	0.4	11.7996	0.2	11.8068	0.0	-
India	(Rs)	47.9013	-0.3359	934 - 091	48.4040	47.7490	-	-	-	-	-	-	-
Japan	(Y)	150.840	-0.888	769 - 910	153.060	150.540	150.46	3.0	149.895	3.0	145.7	3.4	182.9
Malaysia	(M$)	3.9585	-0.0252	570 - 599	3.9991	3.9417	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5241	-0.0208	226 - 255	2.5521	2.5149	2.528	-1.9	2.5358	-1.9	2.5581	-1.3	-
Philippines	(Peso)	40.2616	-0.2517	730 - 501	40.6501	39.8725	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7302	-0.0361	288 - 316	5.7968	5.7063	-	-	-	-	-	-	-
Singapore	(S$)	2.3098	-0.0122	087 - 109	2.3343	2.3020	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6523	-0.0019	502 - 543	5.6721	5.6050	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9980	+0.0254	916 - 144	7.0200	6.9274	-	-	-	-	-	-	-
South Korea	(Won)	1226.11	-11.04	522 - 699	1241.20	1222.01	-	-	-	-	-	-	-
Taiwan	(T$)	40.7424	-0.2182	300 - 548	41.0993	40.5895	-	-	-	-	-	-	-
Thailand	(Bt)	38.2141	-0.162	925 - 356	38.6060	38.0770	-	-	-	-	-	-	-

†SDR rate for Jul 21. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 22		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	11.2435	+0.148	410 - 460	11.2800	11.1730	11.2462	-0.3	11.2388	0.1	11.1619	0.7	104.2
Belgium	(BFr)	32.8450	+0.421	300 - 600	32.9490	32.7000	32.865	-0.7	32.9025	-0.7	32.965	-0.4	105.7
Denmark	(DKr)	6.2580	+0.0692	560 - 600	6.2739	6.2260	6.265	-1.2	6.276	-1.1	6.313	-0.9	105.5
Finland	(FM)	5.2723	+0.0505	673 - 773	5.2921	5.2530	5.2753	-0.7	5.2778	-0.4	5.3168	-0.8	77.0
France	(FFr)	5.4585	+0.056	580 - 590	5.4727	5.4320	5.4632	-1.0	5.4692	-0.8	5.447	0.2	106.0
Germany	(D)	1.5965	+0.0195	950 - 960	1.6026	1.5875	1.5962	-0.5	1.5962	-0.2	1.5882	0.6	106.7
Greece	(Dr)	241.200	+3.05	100 - 300	241.800	238.800	241.55	-1.7	242.32	-1.9	245.7	-1.9	69.3
Ireland	(I£)	1.5064	-0.0108	054 - 074	1.5102	1.6003	1.5052	1.0	1.503	0.9	1.4941	0.8	-
Italy	(L)	1583.98	+11.35	345 - 450	1587.00	1578.50	1589.03	-3.6	1597.83	-3.5	1635.98	-3.3	76.7
Luxembourg	(LFr)	32.8400	+0.416	200 - 600	32.9490	32.7000	32.86	-0.7	32.905	-0.8	32.96	-0.4	105.7
Netherlands	(Fl)	1.7904	+0.0222	901 - 906	1.7998	1.7806	1.791	-0.4	1.7897	0.1	1.7826	0.4	105.5
Norway	(NKr)	6.9540	+0.0711	530 - 550	6.9774	6.9240	6.9575	-0.6	6.962	-0.5	6.9375	0.2	96.8
Portugal	(Es)	163.600	+1.7	500 - 700	164.200	162.920	164.83	-9.0	166.97	-8.0	174	-6.4	94.3
Spain	(Pta)	131.570	+1.57	520 - 620	131.900	130.800	131.935	-3.3	132.59	-3.1	134.96	-2.6	81.3
Sweden	(SKr)	7.8406	+0.0612	368 - 443	7.8797	7.8104	7.8576	-2.6	7.8941	-2.7	8.0486	-2.7	78.8
Switzerland	(SFr)	1.3520	+0.021	515 - 525	1.3595	1.3425	1.3517	0.3	1.3503	0.5	1.3378	1.1	106.3
UK	(£)	1.5280	-0.0095	277 - 282	1.5430	1.5220	1.5273	0.5	1.5264	0.4	1.523	0.3	87.4
Ecu	-	1.1969	-0.0137	965 - 992	1.2040	1.1950	1.1974	1.5	1.1953	1.2	1.2072	-0.7	-
SDR†	-	1.46089	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	-0.0003	985 - 986	0.9987	0.9985	-	-	-	-	-	-	-
Brazil	(R)	0.9370	+0.0055	360 - 380	0.9380	0.9380	-	-	-	-	-	-	-
Canada	(C$)	1.3780	-0.0002	777 - 782	1.3795	1.3757	1.3796	-1.4	1.3828	-1.4	1.4038	-1.9	82.7
Mexico	(New Peso)	3.4042	+0.0009	025 - 058	3.4090	3.4000	3.4052	-0.4	3.407	-0.3	3.4145	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3491	-0.011	486 - 495	1.3565	1.3480	1.3494	-0.2	1.3501	-0.3	1.3574	-0.6	86.7
Hong Kong	(HK$)	7.7259	+0.0007	254 - 264	7.7267	7.7250	7.7257	0.0	7.7284	0.0	7.7414	-0.2	-
India	(Rs)	31.3500	-0.0238	500 - 500	31.3700	31.3500	31.435	-3.3	31.58	-2.9	-	-	-
Japan	(Y)	98.7200	+0.035	900 - 500	99.2000	98.6000	98.515	2.5	98.07	2.6	95.895	3.1	152.0
Malaysia	(M$)	2.5907	-0.0003	902 - 912	2.5938	2.5896	2.5815	4.3	2.5702	3.2	2.6437	-2.0	-
New Zealand	(NZ$)	1.6520	-0.0033	513 - 526	1.6573	1.6510	1.653	-0.7	1.6548	-0.7	1.6601	-0.5	-
Philippines	(Peso)	26.3500	-	000 - 000	26.6000	26.1000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-0.0001	500 - 505	3.7505	3.7500	3.7516	-0.4	3.7557	-0.6	3.7743	-0.8	-
Singapore	(S$)	1.5117	+0.0015	112 - 122	1.5135	1.5110	1.5104	1.1	1.5085	0.9	1.5017	0.7	-
S Africa (Com.)	(R)	3.6993	+0.0216	985 - 000	3.7005	3.6785	3.7148	-5.0	3.7431	-4.7	3.8198	-3.3	-
S Africa (Fin.)	(R)	4.5800	+0.045	700 - 900	4.5900	4.5500	4.6137	-8.8	4.6725	-8.1	-	-	-
South Korea	(Won)	802.450	-2.2	000 - 900	804.800	802.000	805.45	-4.5	808.95	-3.2	827.45	-3.1	-
Taiwan	(T$)	26.6648	+0.025	610 - 685	26.6900	26.6580	26.6848	-0.9	26.7248	-0.9	-	-	-
Thailand	(Bt)	25.0100	+0.05	000 - 200	25.0200	25.0000	25.0825	-3.5	25.21	-3.2	25.69	-2.7	-

†SDR rate for Jul 21. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 21. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 22		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.00	16.62	4.859	2.021	4823	5.452	21.16	498.2	400.6	23.87	4.117	1.993	4.197	3.045	300.5	2.541
Denmark	(DKr)	52.47	10	8.721	2.549	1.060	2531	2.861	11.12	261.4	210.2	12.53	2.160	1.046	2.202	1.598	157.7	1.333
France	(FFr)	60.17	11.47	10	2.923	1.219	2902	3.281	12.75	299.8	241.0	14.38	2.477	1.199	2.525	1.832	180.8	1.529
Germany	(DM)	20.58	3.922	3.421	1	0.416	992.6	1.122	4.360	102.5	82.44	4.914	0.847	0.410	0.864	0.627	61.85	0.523
Ireland	(I£)	49.49	9.431	8.225	2.404	1	2387	2.698	10.48	246.5	198.2	11.81	2.037	0.988	2.077	1.507	148.7	1.257
Italy	(L)	2.074	0.395	0.345	0.101	0.042	100.	0.113	0.439	10.33	8.306	0.495	0.085	0.041	0.087	0.063	6.231	0.053
Netherlands	(Fl)	18.34	3.495	3.048	0.891	0.371	884.5	1	3.885	91.37	73.46	4.379	0.755	0.365	0.770	0.558	55.12	0.466
Norway	(NKr)	47.21	8.998	7.846	2.294	0.954	2277	2.574	10	235.2	189.1	11.27	1.944	0.941	1.981	1.437	141.9	1.199
Portugal	(Es)	20.07	3.825	3.336	0.975	0.406	968.0	1.094	4.252	100.	80.40	4.792	0.826	0.400	0.842	0.611	60.32	0.510
Spain	(Pta)	24.97	4.758	4.149	1.213	0.504	1204	1.361	5.289	124.4	100.	5.960	1.028	0.498	1.048	0.760	75.02	0.634
Sweden	(SKr)	41.89	7.982	6.962	2.035	0.846	2020	2.284	8.873	208.7	167.8	10	1.725	0.835	1.758	1.275	125.8	1.064
Switzerland	(SFr)	24.29	4.629	4.037	1.180	0.491	1171	1.324	5.145	121.0	97.29	6.799	1	0.484	1.019	0.740	72.99	0.617
UK	(£)	50.16	9.563	8.340	2.438	1.014	2420	2.736	10.63	250.0	201.0	11.98	2.066	1	2.106	1.528	150.6	1.275
Canada	(C$)	23.83	4.541	3.960	1.158	0.481	1149	1.298	5.047	118.7	95.44	5.689	0.981	0.475	1	0.726	71.60	0.605
US	($)	32.84	6.259	5.458	1.596	0.664	1584	1.791	6.957	163.6	131.5	7.840	1.352	0.654	1.378	1	98.69	0.834
Japan	(Y)	332.8	63.42	55.31	16.17	6.724	16046	18.14	70.49	1658	1333	79.44	13.70	6.631	13.97	10.13	1000.	8.455
Ecu		39.36	7.500	6.541	1.912	0.795	1898	2.146	8.337	196.1	157.6	9.398	1.620	0.784	1.652	1.198	118.3	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.6284	0.6253	-0.0033	0.6295	0.6233	67,442	88,546
Dec	0.6272	0.6259	-0.0033	0.6293	0.6245	776	3,655
Mar	0.6274	0.6273	-0.0033	0.6290	0.6274	322	1,054

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.7438	0.7380	-0.0059	0.7458	0.7362	32,095	40,612
Dec	0.7435	0.7397	-0.0059	0.7448	0.7375	277	1,071
Mar	-	0.7424	-0.0059	0.7465	0.7420	2	9

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	1.0139	1.0161	+0.0008	1.0200	1.0116	38,933	68,275
Dec	1.0200	1.0226	+0.0008	1.0273	1.0190	840	5,169
Mar	-	1.0310	+0.0008	1.0347	1.0305	1	787

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	1.5224	1.5256	+0.0058	1.5334	1.5210	33,737	32,152
Dec	1.5240	1.5254	+0.0058	1.5320	1.5200	119	903
Mar	-	1.5250	+0.0056	1.5310	1.5190	8	151

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Aug	Sep	Oct	PUTS Aug	Sep	Oct
1.450	7.53	7.68	7.83	-	0.21	0.47
1.475	5.13	5.49	5.88	0.06	0.55	0.95
1.500	2.96	3.67	4.14	0.42	1.15	1.69
1.525	1.39	2.22	2.73	1.26	2.16	2.70
1.550	0.49	1.22	1.76	2.81	3.62	4.14
1.575	0.11	0.59	1.04	4.93	5.48	5.90

Previous day's vol., Calls 106,255 Puts 10,694. Prev. day's open int., Calls 546,092 Puts 506,002

UK INTEREST RATES

LONDON MONEY RATES

Jul 22	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¾ - 3½	5⅛ - 4⅞	5½ - 6	5¼ - 5⅛	5½ - 5⅜	6⅛ - 6
Sterling CDs	-	-	5⅛ - 5⅛	5⅜ - 5⅜	5¾ - 5⅝	5⅞ - 5¾
Treasury Bills	-	-	4¾ - 4⅝	5 - 4⅞	-	-
Bank Bills	-	-	5 - 4¾	5⅛ - 4⅞	5⅞ - 5⅜	-
Local authority deps.	4⅞ - 4⅞	4¾ - 4⅞	5⅛ - 4⅞	5⅛ - 5	5⅜ - 5⅜	5⅝ - 5⅝
Discount Market deps	5½ - 4	5⅛ - 4⅞	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.9648pc. ECGD fixed rate Stg. Export Finance. Make up day June 30, 1994. Agreed rate for period Jul 26, 1994 to Aug 25, 1994, Schemes II & III 6.44pc. Reference rate for period Jun 1, 1994 to June 30, 1994, Schemes IV & V 5.1870pc. Finance House Base Rate 5½pc from July 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Jul 22	Jul 15		Jul 22	Jul 15
Bills on offer	£500m	£500m	Top accepted rate	4.9937%	4.8530%
Total of applications	£1382m	£1570m	Ave. rate of discount	4.9648%	4.8379%
Total allocated	£500m	£500m	Average yield	5.0473%	4.9864%
Min. accepted bid	£98.735	£98.765	Offer at next tender	£500m	£500m
Allotment at min. level	81%	58%	Min. accept. bid 182 days	-	-

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Companies & Finance page in today's edition.

■ Pound in New York

Jul 22	—Close—	—Prev. close—
£ spot	1.5275	1.5235
1 mth	1.5267	1.5228
3 mth	1.5259	1.5221
1 yr	1.5225	1.5185

FIXED INTEREST RATES

MONEY RATES

July 22	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5	5¼	5⅛	5⅜	6⅛	7.40	4.50	-
week ago	6	6¼	5⅜	6	6⅛	7.40	4.50	-
France	5⅜	5½	5⅝	5¾	5⅞	5.10	-	6.75
week ago	5⅝	6½	5⅞	5⅞	6⅛	5.10	-	6.75
Germany	4.90	4.89	4.85	4.85	4.98	6.00	4.50	4.85
week ago	4.82	4.86	4.85	4.90	5.00	6.00	4.50	4.91
Ireland	5	5⅛	5¾	6⅛	6½	-	-	6.25
week ago	5	5⅜	5¾	6⅛	6½	-	-	6.25
Italy	8¾	8⅛	8⅛	8⅞	9⅛	-	7.00	8.05
week ago	8½	8⅛	8⅛	8⅝	9⅛	-	7.00	8.00
Netherlands	4.85	4.85	4.88	4.97	5.19	-	5.25	-
week ago	4.85	4.85	4.89	5.00	5.19	-	5.25	-
Switzerland	4	4⅛	4⅛	4⅛	4⅛	6.625	3.50	-
week ago	4	4⅛	4¼	4⅜	4⅛	6.625	3.50	-
US	4⅛	4¾	4¾	5⅛	5⅝	-	3.50	-
week ago	4⅛	4¾	4¾	5⅛	5⅝	-	3.50	-
Japan	2	2⅛	2¼	2¼	2½	-	1.75	-
week ago	2	2⅛	2¼	2¼	2⅛	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4½	4⅞	5¼	5¾	-	-	-
week ago	-	4½	4⅞	5¼	5¾	-	-	-
US Dollar CDs	-	4.36	4.68	4.99	5.53	-	-	-
week ago	-	4.38	4.63	4.92	5.48	-	-	-
SDR Linked Ds	-	3½	3⅞	3¾	4	-	-	-
week ago	-	3½	3⅞	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅞; 3 mths: 5⅞; 6 mths: 6; 1 year: 6⅛. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 22	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5⅛ - 4⅞	5⅛ - 4⅞	5¼ - 5⅛	5½ - 5⅜	5⅞ - 5¾	6⅛ - 6
Danish Krone	5⅜ - 5⅛	5¾ - 5½	5⅞ - 5⅝	6¼ - 6	6⅝ - 6⅜	6⅞ - 6⅝
D-Mark	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾	5⅛ - 5
Dutch Guilder	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾	4⅞ - 4¾	5 - 4⅞	5⅜ - 5¼
French Franc	5⅞ - 5⅝	5⅞ - 5⅝	5½ - 5⅜	5⅝ - 5½	5⅞ - 5¾	6 - 5⅞
Portuguese Esc.	12⅛ - 11⅞	12 - 11¾	12½ - 12	12½ - 12	12⅜ - 11⅞	12¼ - 11¾
Spanish Peseta	7½ - 7⅜	7⅝ - 7⅜	7¾ - 7⅝	7⅞ - 7¾	8⅛ - 7⅞	8⅜ - 8¼
Sterling	6⅛ - 6⅛	5⅛ - 5⅛	5⅜ - 5⅛	5⅜ - 5¼	5⅞ - 5⅞	6⅜ - 6⅛
Swiss Franc	4¼ - 4	4⅛ - 3⅞	4⅛ - 4	4¼ - 4⅛	4⅜ - 4⅛	4½ - 4⅜
Can. Dollar	5½ - 5⅜	5⅞ - 5⅝	6¼ - 5⅞	6⅜ - 6	6⅞ - 6⅝	7⅝ - 7½
US Dollar	4¼ - 4⅛	4⅝ - 4⅜	4½ - 4⅜	4⅞ - 4¾	5¼ - 5⅛	5¾ - 5⅝
Italian Lira	8 - 7½	8¼ - 8⅛	8⅜ - 8⅛	8⅝ - 8⅜	8⅞ - 8¾	9⅜ - 9⅛
Yen	2⅛ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛	2⅜ - 2⅛	2⅞ - 2⅝
Asian $Sing	3⅞ - 3¾	3⅞ - 3¾	4⅛ - 4⅛	4⅝ - 4⅝	5⅛ - 5⅛	5⅞ - 5⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.82	94.78	-0.04	94.85	94.75	107,140	436,762
Dec	94.14	94.09	-0.04	94.17	94.08	178,583	432,870
Mar	93.87	93.84	-0.05	93.92	93.81	95,152	325,368

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.28	95.23	-0.04	95.30	95.23	2,819	21,971
Dec	94.73	94.87	-0.04	94.74	94.86	706	9,561
Mar	-	94.40	-0.07	94.48	94.39	47	1,914

All Open interest figs. are for previous day

BANK RETURN

BANKING DEPARTMENT	Wednesday July 20, 1994	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,058,578,752	-96,985,417
Bankers deposits	1,690,902,057	+73,711,543
Reserve and other accounts	3,038,532,246	+200,449,030
	5,802,566,055	+177,175,156
Assets		
Government securities	1,127,333,708	-3,085,000
Advance and other accounts	4,110,567,893	+268,300,524
Premises, equipment and other secs	555,996,935	-90,779,832
Notes	8,485,005	+2,695,423
Coin	182,514	+14,041
	5,802,566,055	+177,175,156
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	18,111,514,995	+117,304,577
Notes in Banking Department	8,485,005	+2,695,423
	18,120,000,000	+120,000,000
Assets		
Government debt	11,015,100	
Other Government securities	12,634,995,230	-766,030,139
Other Securities	5,473,989,670	+886,030,139
	18,120,000,000	+120,000,000

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	32.7	105½	99½	Baillie Gifrd Shn C	105½		-	-	-	-
§40	F.P.	12.0	45	33	‡Biocure	33	-4	-	-	-	-
150	F.P.	17.6	161	156	CPL Aromas	161	+3	LN3.0	2.4	2.3	15.4
16	F.P.	5.16	31	21	Carnell	28	-2	-	-	-	-
220	F.P.	110.3	225	220	Eurodollar	225	+1	WN8.5	0.9	4.7	17.6
[illegible]											

UK GILTS PRICES

[illegible]

STOCK INDICES

[illegible]

BASE LENDING RATES

[illegible]

FT GOLD MINES INDEX

[illegible]

RIGHTS OFFERS

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON SHARE SERVICE

BANKS

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Trans Can Pipe	♥	8⅛	2.7	84c	JaApJyOc	1.12		–

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£27	4.9	Q375c	1.9	Oct Apr	3.93	–
Barlow	Z	£4¼	–1.4	Q18c	–	Jul	20.6	–
Gold Flds Prop B		113	9.7	Q50c	1.2	–	31.1	–
NK Props	§	85	–	Q44.7c	0.3	Feb Oct	19.10	–
SASOL	♥	389	1.0	Q70c	–	Oct	23.9	3919
SA Brews		£12¼	1.5	Q155c	2.2	Dec Jun	30.5	–
Tiger Oats	†	850	2.0	Q85c	2.8	Jul Feb	5.6	–
Tongaat-Hulett		689	2.6	Q85c	2.4	Feb Aug	4.1	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend: cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. o Earnings based on preliminary figures. s Dividend includes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment. Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on IMR "Headline Earnings" P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Pacific Arc Explrn (Extrv Inds), Oryx Fund (Inv Co's), VCI (Leis & Htls), Bloomsbury Pbsg (Media), Pacrim Energy (Oil Explrn), Norcor (Prnt Pap & Pckg), Chesterton Int'l (Prop) and JBA (Sup Servs). Deletions. Unread and Vortex Energy (Eng) and Finansieringsselbet (Other Fincl).

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Please quote the code FT1623. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 39p per minute cheap rate and 49p per minute at all other times.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close July 22

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg Prev. Close
17 3/8	13 3/8	AAR	0.46	3.3	479	81	14 1/8	14 1/4	14 1/8	+1/8
18 7/8	12	A L Labs A	0.18	1.3	31	23	18 7/8	13 1/2	13 3/4	-1/8
73	57 3/8	AMP	1.68	2.4	25	1593	70 3/4	70 1/4	70 1/4	+1 1/8
72 3/4	52 1/8	AMR			30	7313	60 1/2	59 3/4	59 1/2	-5/8
5	3 3/8	ARX			12	90	3 3/4	3 5/8	3 5/8	
58 1/8	38 5/8	ASA	2.00	4.4	30	568	45 5/8	45 1/8	45 1/2	+1/8
31 3/8	25 3/8	AbbotL x	0.76	2.7	18	8224	28 1/8	27 3/4	27 3/4	-1/4
13 1/4	11 3/8	Abbtbi Pr	0.50	3.9	8	405	12 7/8	12 3/4	12 3/4	-1/8
23 5/8	17 3/4	ABM Ind x	0.52	2.0		28	20 1/8	20	20	-1/8
13 3/4	11 1/8	Acptocola			25	67	13 1/2	13 1/4	13 1/2	+1/8
31	22 3/4	ACE Ltd	0.44	1.9	3	2507	23 5/8	23 1/8	23 5/8	+3/8
12 1/2	10 1/8	ACM Gvt In	1.00	10.2		749	10 7/8	10 5/8	10 3/4	-1/8
10 1/8	7 7/8	ACM GvOpp	0.80	5.6		78	8 3/4	8 1/8	8 1/8	-1/8
10 5/8	8	ACM Gvt Sp	0.96	11.6		74	8 1/4	8 1/8	8 1/4	
12	9 1/8	ACM Gvt Se	1.09	11.7		202	9 1/2	9 3/8	9 3/8	-1/8
11 1/8	8 3/4	ACM Man	1.08	12.2		324	9	d8 3/4	8 7/8	
9 3/4	8	ACM Managd	0.72	8.9		62	8 1/8	8 1/8	8 1/8	
15 1/8	8 3/4	AcmeCw	0.44	3.8	14	9	11 5/8	11 1/2	11 1/2	+1/8
9 1/4	6 1/2	Acme Elect			5	27	7 3/8	7 3/4	7 3/4	
28 3/4	23	Acordia	0.60	2.3	13	16	26 1/2	26 1/2	26 1/2	-1/8
9 3/8	6 3/4	Actava	0.36	4.1	2	68	8 7/8	8 3/4	8 3/4	-1/8
15 5/8	11 1/4	Acuson			92	1567	13	11 1/8	12	+1/4
18 1/8	16 1/2	Adams Expr	0.48	2.8	6	43	17 1/8	17	17	-1/8
64	46 1/2	Ad Micro	3.00	5.5		16	54 3/4	54 1/4	54 3/8	-1/8
31 1/4	18 3/4	AdvMic	3.00	11.8	11	4075	26 1/8	25 1/2	25 7/8	
6 7/8	5	Advest Grp	0.18	3.1	6	62	9 5/8	5 3/4	5 1/8	
20	15	Advo Inc	0.10	0.6	115	24	17 3/4	17 3/4	17 3/8	-1/4
57 1/4	49 3/8	Aegon ADR	2.95	5.4	13	16	54 5/8	54 1/8	54 1/8	-3/8
12 1/2	6 1/8	BellInd	0.05	0.5	202	2947	10 3/8	10 1/4	10 1/8	-1/4
53 3/8	34 1/4	Bausch	0.98	2.8	13	2412	35 1/2	35	35 1/8	+1/8
27	21 3/8	Baxter	1.00	3.9	37	7707	26 1/4	25 3/4	26 1/4	-1/4
28 1/2	23 1/8	Bay St Gas	1.46	5.0	14	71	24 7/8	24 5/8	24 7/8	+1/8
22 1/2	19 1/8	Bf Tr 1838	1.72	8.3		28	20 7/8	20 3/4	20 3/4	+1/8
23 1/2	16	Bear Strns	0.57	3.5	4	6308	16 3/4	d16	15 3/4	-1/8
50 3/4	47 1/2	BearStPfA	2.83	5.9		2150	40	40	40	
37 1/2	27 3/4	Bearings	0.64	2.0	23	42	33 1/4	32 3/4	32 5/8	-1/8
28 3/4	22	Beckman In	0.40	1.8	21	789	25 1/2	25	25 1/2	+1/2
43	34 1/2	BectnD	0.74	1.8	14	1538	42 1/4	42	42 1/8	+1/8

Continued on next page

4 pm close July 22

NYSE COMPOSITE PRICES

Continued from previous page

- V -

- W -

- X - Y - Z -

- T -

- U -

NASDAQ NATIONAL MARKET

4 pm close July 22

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

AMEX COMPOSITE PRICES

4 pm close July 22

FT GUIDE TO THE WEEK

25 MONDAY

Israel-Jordan summit

Israel's prime minister, Yitzhak Rabin, and King Hussein of Jordan hold a summit in Washington, marking the rapid pace of the unfolding Middle East peace process.

The meeting will be a public affirmation that the Israeli-Jordanian peace process is irreversible and that Israel is on the way to its second peace treaty with an Arab neighbour since the Egyptian-Israeli accord of 1979.

A formal treaty, still several months away, will be preceded by joint projects in tourism, trade, environment and regional development. Borders, commercial flights and telephone lines may be opened in a first step towards a regionally integrated market which has been the dream of Shimon Peres, Israel's foreign minister.

The US will encourage and underwrite many of the projects and has demonstrated its support by promising to present to Congress a bill to write off $950m of Jordanian debt. Both Mr Rabin and King Hussein will address Congress on Tuesday.

The Asean Regional Forum, bringing together 18 countries to discuss political and security issues in Asia, meets for the first time in Bangkok. In addition to the six members of the Association of South East Asian Nations, among those attending are the US, China and Russia. The crisis over North Korea's nuclear programme and the civil war in Cambodia are among the likely topics for discussion, but the meeting may focus on defining ARF's future role. The forum was established in response to the uncertainty in the region after the end of the cold war.

Ecowas, the Economic Community of West African States, begins its annual meeting in Abuja, leading to the heads of states' meeting on Thursday and Friday. Ecowas has made little progress towards its target of economic and monetary union by the year 2000, and the main issue will be its joint peacekeeping force in Liberia, dominated by Nigerian troops.

Finance ministers will discuss the effects of January's sharp devaluation of the Francophone states' common currency, the CFA franc.

UK tank delivery: Sir Colin Chandler, chief executive of the Vickers engineering company, hands over the first completed Challenger 2 tank to the British Army in a ceremony at the company's Barnbow factory in Leeds. It is the first of 146 tanks in the first production run which was supplemented by a follow-on order for 259 more two weeks ago. When final deliveries are complete around the year 2000, the British Army will have an entirely Challenger 2 tank fleet.

Bayreuth and Salzburg begin their music festivals.

Holidays: Costa Rica, Fiji (Constitution Day), Spein (Madrid only), Thailand, Tunisia.

26 TUESDAY

Whitewater hearing begins

The US House of Representatives banking committee holds the first congressional hearings into any aspect of the Whitewater affair, which concerns Arkansas property deals, loans, and President Clinton and his wife Hillary. The session will focus on contacts between the White House and other government regulatory agencies.

Among those due to testify are "Mack" McLarty, former White House chief of staff and now senior counsellor, Margaret Ann Williams, chief of staff to Hillary Rodham Clinton, and Lloyd Cutler, White House legal counsel.

The Senate banking committee is due to hold parallel hearings beginning either Wednesday or Thursday.

Taiwan courts Gatt: Negotiations resume in Geneva on Taiwan's bid to join the General Agreement on Tariffs and Trade. Taiwan hopes to be a member by the year-end, but Beijing insists on being admitted first (see Friday).

UK economy: The Confederation of British Industry quarterly industrial treods survey will be watched for signs that the UK economic recovery is triggering more investment. Previous surveys have a bearish attitude to investmeot, in spite of the gradual growth in manufacturing.

Companies' pricing expectations during the next four months are also likely to be another key topic of interest, in light of the recent rise in the cost of raw materials and components.

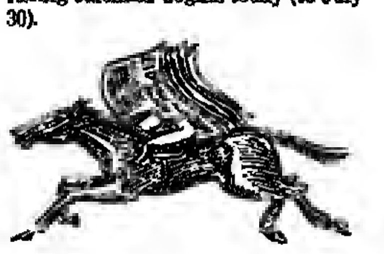
Spanish strike: Workers at Spanish car-maker Seat, a subsidiary of Germany's Volkswagen, have called a 24-hour strike. They object to a proposed 10 per cent pay-cut and the failure of management to offer any job guarantees in return.

UK rail strikes: Signalworkers for Railtrack, owner of most of the infrastructure of Britain's rail network, step up their pay dispute with their first 48-hour stoppage, beginning at noon.

Travellers have experienced 24-hour stoppages on the past six Wednesdays.

UK politics: The House of Lords, the unelected upper chamber of parliament, rises for its summer recess, returning on October 10.

Glorious Goodwood: One of the premier meetings of the English horse racing calendar begins today (to July 30).



Holidays: Cuba (National Rebellion Day).

27 WEDNESDAY

Thai confidence vote

Thai opposition parties are due to launch a no-confidence debate in parliament against four ministers in the governing coalition, including Prasong Soonsiri, the foreign minister who is simultaneously hosting a series of meetings for the Association of South-East Asian Nations (Asean).

Political commentators predict that the government will survive the debate, but some members of the coalition's Palang Dharma (Moral Force) party have threatened to vote against their own cabinet ministers because of disagreements within the party.

Wheat heat:

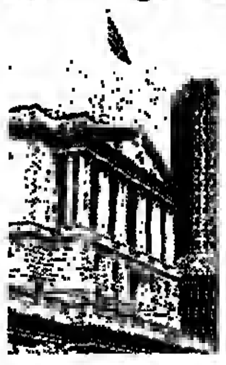
US and Canadian trade ministers Mickey Kantor (left) and Roy Maclaren sit down to try to negotiate a deal which would avoid US curbs on Canadian durum wheat exports and possibly other commodities. The US International Trade Commission has already found Canada guilty of dumping its wheat in the US.

EU social policy: The European Commission is due to approve social affairs commissioner Padraig Flynn's white paper on social policy at a meeting in Brussels.

Bangladesh's main opposition party, the Awami League, plans a big rally to press its demand for an early election under an interim administration.

John Major, UK prime minister, gives European Policy Forum lecture in London on The Role and Limits of the State.

Bank of England tercentenary:



A distinguished Old Lady celebrates her birthday. The Queen, leading politicians and top City figures attend a service of thanksgiving in St Paul's Cathedral to mark the 300th anniversary of the date the Bank of England's charter was sealed. Unlike most of us, the Bank is gaining strength as it grows older. Eddie George, its governor, now exercises a more powerful influence over monetary policy than any of his recent predecessors.

FT Surveys: Bank of England's 300th Anniversary and Tunisia.

Holidays: Belarus (Independence Day), Bosnia and Hercegovina.

Crisis in Rwanda: humanitarian aid to the refugees being co-ordinated by the United Nations is not enough to cope with the situation

28 THURSDAY

Talks on Yemen begin

United Nations-sponsored talks to help forge a reconciliation between North and South Yemen are due to start in Paris after their two-month civil war.

Abiola trial: Moshood Abiola is to be tried for treason by Nigeria's military regime today in a specially convened high court in Abuja. Mr Abiola was arrested last month when he declared himself president on the anniversary of his victory in the annulled presidential election.

General Sani Abacha has promised to start a new transition to civilian rule some time next year, but is facing mounting opposition and a national strike in the vital oil industry.

Japanese economy: Industrial production figures out today should give further evidence that the Japanese recession is bottoming out. Analysts expect the growth rate to pick up in June, after a year-on-year fall of 1.2 per cent in May.

UK water pricing: The water industry regulator, Ian Byatt, publishes his long-awaited price controls for UK water companies at a time when fast-rising water charges have been widely criticised. The controls will dictate how much companies can increase prices during the next 10 years, taking account of inflation and their obligations to modernise the water system.

Holidays: Peru (Independence Day).

29 FRIDAY

China discusses Gatt terms

Members of the General Agreement on Tariffs and Trade meet in Geneva to discuss the terms on which China will be re-admitted to the world trade body.

Beijing, exasperated by the delay in concluding the seven-year-old negotiations, says it will submit one last trade liberalisation offer but is not prepared to join Gatt at any cost.

The hard bargaining is expected in September, as China tries to beat the deadline for Gatt membership by year-end, enabling it to become a founder member of Gatt's successor, the World Trade Organisation.

Islamic fundamentalists in Bangladesb plan a march to the capital Dhaka as part of their campaign against Taslima Nasreen, 32, a feminist writer accused of insulting Islam. Ms Nasreen came to prominence last year with a novel, "Lajja" (Shame), portraying the sufferings of Bangladesh's Hindu minority.

Lloyds kicks off the UK clearing banks' interim results season. Its prospects are affected by uncertainty over its proposed £1.8bn ($2.8bn) acquisition of Cheltenham & Gloucester building society.

Pre-tax profits of about £850m are expected.

Real deadline: Today is tbe last chance for Brazilians to exchange their old currency, the cruzeiro, for the real, which was introduced on July 1.

30-31 WEEKEND

Bosnian peace hopes falter

Foreign ministers from the five-nation contact group on Bosnia meet in Geneva on Saturday to decide what to do after the failure of the latest, supposedly final, peace plan. Options include tighter sanctions on Serbia, more rigorous enforcement of "no-fly" and exclusion zones, and lifting the arms embargo for the Bosnian government.

Taiwanese and mainland Chinese negotiators start talks on Saturday in Taipei.

On the agenda are fishing disputes, the return of illegal immigrants to the island and the repatriation of airline hijackers. The last round of talks was held in March. Five previous rounds have been unsuccessful.

Sailing: Cowes Week begins on Saturday (to August 6).

South Pacific Forum: The 25th annual meeting begins in Brisbane on Sunday (to August 2). Delegates will consider how the Forum's structure and procedures are adapting to economic changes in the region, and its relationship with other institutions, especially the Association of South East Asian Nations and the Asia Pacific Economic Co-operation forum.

Motor racing: The German Grand Prix takes place at Hockenheim, near Heidelberg, on Sunday.

Compiled by Patrick Stiles.
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ECONOMIC DIARY

Other economic news

Monday: Japan and the US will be key focuses of market attention this week, with a spate of statistics for economists to feed on. Japan's trade balance for the first 10 days of June today will be watched with interest in light of the ongoing weakness of the dollar against the yen.

Tuesday: On the domestic front, Japan's coincident and leading diffusion indexes for May, published today, should provide further indication that business sentiment is improving. In the US, July's consumer confidence data is likely to show confidence flattening out, albeit at high levels.

Wednesday: More indications about the strength of the US economic recovery will emerge today with the publication of June durable goods data. In Japan, June's retail sales are expected to show a year on year fall, albeit at a slower rate than last month.

Friday: More US and Japanese data round off the week, with Japan's construction data expected to indicate a slow pick-up in this sector. US advance GDP data are forecast to show a rise, year-on-year, of 3.65 per cent for the second quarter of this year, up from 3.4 per cent in the first quarter.

Statistics to be released this week

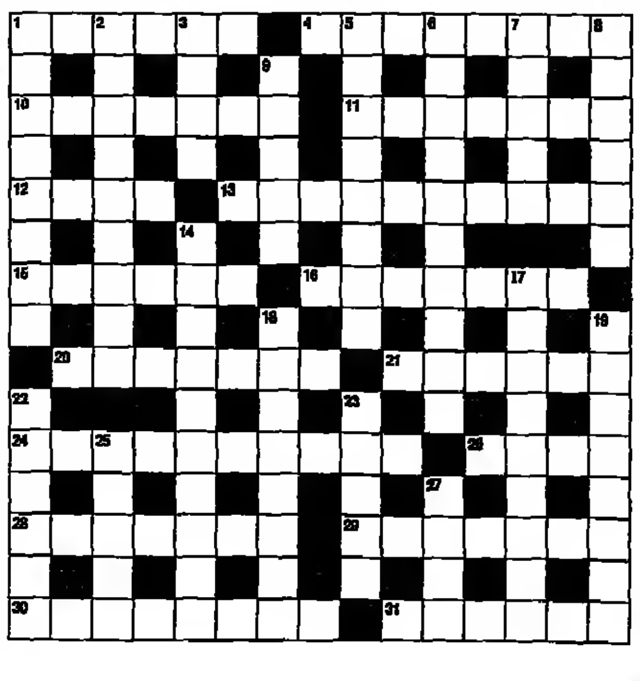
Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	June existing home sales	-	4.09m
July 25	Japan	1st 10 days June trade balance	-	$2.8bn
	Japan	June supermarket sales**	-	-2.3%
	Taiwan	June M2**	-	15.7%
Tues	US	July consumer confidence	-	92
July 26	US	Johnson Redbook, July 23	n/a	-0.9%
	Japan	May coincident indx	70%	60%
	Japan	May leading diffusion indx	-	80%
Wed	US	June durable goods orders	0.5%	1.1%
July 27	US	June durable shipments	-	0.9%
	Japan	June retail sales	-3%	-4%
	France	June household consumption*	1%	-0.9%
	Aus'lia	2nd qtr consumer prices indx*	0.8%	0.4%
	Aus'lia	2nd qtr consumer prices indx**	1.9%	1.4%
Thur	US	Initial claims, July 23	375,000	392,000
July 28	US	State benefits, July 16	-	2.75m
	US	M2 w/e July 18	-$1bn	$0.5bn
	Japan	June industrial production†	-	-1.2%
	Japan	June shipments†	-	-3.2%
	Canada	May fix-weighted emp earnings**	1.8%	1.2%
Fri	US	2nd qtr gross domest prod advance	3.65%	3.4%
July 29	US	Ditto, deflator (advance)	2.8%	2.6%
	US	July Michigan sentiment (final)	n/a	88.9
	US	June export price indx	n/a	0.3%
	US	June import price indx	-	1.1%
Fri	US	July agricultural prices	-	-2.1%
July 29	Japan	June unemployment rate	-	2.8%
(cont)	Japan	July Tokyo consumer prices indx	0.2%	0.5%
	Japan	Ditto, ex perishables	0.8%	0.8%
	Japan	June nation consumer prices indx	0.7%	0.8%
	Japan	Ditto, ex perishables	0.9%	1%
	Japan	June construction orders	-	-16.9%
	Japan	June housing starts	8%	13.5%
	Japan	June construction starts	-	0.1%
	France	June unemployment rate	12.7%	12.7%
	France	June jobseekers	-	3.3m
	Canada	May gross dom product, fac cost*	0.4%	0.3%
	Aus'lia	June current a/c	-	-A$1.42bn
	Aus'lia	Ditto†	A$1.6bn	-A$1.71bn
During the week...				
	Japan	2nd 10 days July wh'sale price indx	-	-0.1%
	Germany	June import prices*	0.3%	0.4%
	Germany	June import prices**	0.8%	0.9%
	Germany	May capital a/c	-	DM4.9bn
	Germany	May long-term capital a/c	-	-DM14.8bn
	Germany	July prelim cost of living*	0.1%	0.1%
	Germany	July prelim cost of living**	2.9%	2.9%
	Italy	June balance of payments	-	L2.2Tr
	Italy	June trade balance, ex-pay	-	L0.77Tr

*month on month, **year on year, †seasonally adjusted. Statistics, courtesy *MMS International*.

MONDAY PRIZE CROSSWORD
No.8,514 Set by GRIFFIN

ACROSS
1 Spot scoundrel breaking into safe (6)
4 Pudding ingredient is a lemon mixture (8)
10 A woman soldiers imprisoned before (7)
11 Seen pointlessly returning duty list to statesman (7)
12 Fastened pole to shed (4)
13 Came to light as priot changed colour (10)
15 Offensive party rejected promissory notes (6)
16 Convinced some (7)
20 Back street opposite (7)
21 One-sided fun arranging tune (6)
24 Stirring up riot cheer a Roman driver? (10)
26 Imitate some female choirs (4)
28 He turns out to be first easy winner (7)
29 Worry about politician becoming bore (7)
30 One carries some water over (8)
31 Beg for a stewed apple (6)

DOWN
1 Breaks stolen picture (8)
2 Finding accountant exciting is drinking freely! (9)
3 See 27 down
5 Sees poor ourse caught accepting perfumes (8)
6 Order "run round marquee", being all-powerful (10)
7 Bury famous playwright topless! (5)
8 Scrape off tar on a red woolly (6)
9 Monster water outlet no cooservationists wanted (5)
14 Buzz with detail 1 raised when mortified (10)
17 Basil and Eric, terribly hot-tempered (9)
18 Oriental man gets drunk in secret (8)
19 Wild boar not supposed to be tree-dwelling (8)
22 One is spotted suffering from it (6)
23 Colour of a companion after exercises (5)
25 One last word before you go (5)
27 and 3 down Mistake route which gets you oo to motorway (4,4)



A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday August 4, marked Monday Crossword 8,514 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday August 8.

Name...

Address...

....

Winners 8,502

J. McQuhae, St Remy de Provence, France
R.R. Bell, West Hallam, Derby
Susan Higgins, Erpingham, Norfolk
I. Kendall, Bournemouth
H. Piper, Chessington, Surrey
R.J. Trail, Highcliffe, Dorset

Solution 8,502